ENTERGY CORP /DE/
Form 10-Q
May 08, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ____________ to ____________

Commission File Number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number, and IRS Employer Identification No.	Commission File Number	Registrant, State of Incorporation or Organization, Address of Principal Executive Offices, Telephone Number, and IRS Employer Identification No.
1-11299	ENTERGY CORPORATION (a Delaware corporation) 639 Loyola Avenue New Orleans, Louisiana 70113 Telephone (504) 576-4000 72-1229752	1-31508	ENTERGY MISSISSIPPI, INC. (a Mississippi corporation) 308 East Pearl Street Jackson, Mississippi 39201 Telephone (601) 368-5000 64-0205830
1-10764	ENTERGY ARKANSAS, INC. (an Arkansas corporation) 425 West Capitol Avenue Little Rock, Arkansas 72201 Telephone (501) 377-4000 71-0005900	0-5807	ENTERGY NEW ORLEANS, INC. (a Louisiana corporation) 1600 Perdido Street New Orleans, Louisiana 70112 Telephone (504) 670-3700 72-0273040
333-148557	ENTERGY GULF STATES LOUISIANA, L.L.C. (a Louisiana limited liability company) 446 North Boulevard Baton Rouge, Louisiana 70802	000-53134	ENTERGY TEXAS, INC. (a Texas corporation) 350 Pine Street Beaumont, Texas 77701 Telephone (409) 838-6631

	Telephone (800) 368-3749 74-0662730		61-1435798
1-32718	ENTERGY LOUISIANA, LLC (a Texas limited liability company) 446 North Boulevard Baton Rouge, Louisiana 70802 Telephone (225) 381-5868 75-3206126	1-9067	SYSTEM ENERGY RESOURCES, INC. (an Arkansas corporation) Echelon One 1340 Echelon Parkway Jackson, Mississippi 39213 Telephone (601) 368-5000 72-0752777

Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days. Yes

þ No o

Indicate by check mark whether the registrants have submitted electronically and posted on Entergy's corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrants were required to submit and post such files). Yes

o No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act of 1934.

	Large accelerated filer	Accelerated filer	Non-accelerated filer	Smaller reporting company
Entergy Corporation	√			
Entergy Arkansas, Inc.			√	
Entergy Gulf States Louisiana, L.L.C.			√	
Entergy Louisiana, LLC			√	
Entergy Mississippi, Inc.			√	
Entergy New Orleans, Inc.			√	
Entergy Texas, Inc.			√	
System Energy Resources, Inc.			√	

Indicate by check mark whether the registrants are shell companies (as defined in Rule 12b-2 of the Exchange Act). Yes

o No þ

<u>Common Stock Outstanding</u> <u>Outstanding at April 30, 2009</u>

Entergy Corporation	($0.01 par value)	196,103,065

Entergy Corporation, Entergy Arkansas, Inc., Entergy Gulf States Louisiana, L.L.C., Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc., Entergy Texas, Inc. and System Energy Resources, Inc. separately file this combined Quarterly Report on Form 10-Q. Information contained herein relating to any individual company is filed by such company on its own behalf. Each company reports herein only as to itself and makes no other representations whatsoever as to any other company. This combined Quarterly Report on Form 10-Q supplements and updates the Annual Report on Form 10-K for the calendar year ended December 31, 2008, filed by the individual registrants with the SEC, and should be read in conjunction therewith.

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FORWARD-LOOKING INFORMATION

In this combined report and from time to time, Entergy Corporation and the Registrant Subsidiaries each makes statements as a registrant concerning its expectations, beliefs, plans, objectives, goals, strategies, and future events or performance. Such statements are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Words such as "may," "will," "could," "project," "believe," "anticipate," "intend," "expect," "estimate," "continue," "potential," "plan," "predict," "forecast," and other similar words or expressions are intended to identify forward-looking statements but are not the only means to identify these statements. Although each of these registrants believes that these forward-looking statements and the underlying assumptions are reasonable, it cannot provide assurance that they will prove correct. Any forward-looking statement is based on information current as of the date of this combined report and speaks only as of the date on which such statement is made. Except to the extent required by the federal securities laws, these registrants undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

Forward-looking statements involve a number of risks and uncertainties. There are factors that could cause actual results to differ materially from those expressed or implied in the forward-looking statements, including those factors discussed or incorporated by reference in (a) Item 1A. Risk Factors in the Form 10-K, (b) Management's Financial Discussion and Analysis in the Form 10-K and in this report, and (c) the following factors (in addition to others described elsewhere in this combined report and in subsequent securities filings):

- resolution of pending and future rate cases and negotiations, including various performance-based rate discussions and implementation of Texas restructuring legislation, and other regulatory proceedings, including those related to Entergy's System Agreement, Entergy's utility supply plan, recovery of storm costs, and recovery of fuel and purchased power costs
- changes in utility regulation, including the beginning or end of retail and wholesale competition, the ability to recover net utility assets and other potential stranded costs, the operations of the independent coordinator of transmission for Entergy's utility service territory, and the application of more stringent transmission reliability requirements or market power criteria by the FERC
- changes in regulation of nuclear generating facilities and nuclear materials and fuel, including possible shutdown of nuclear generating facilities, particularly those owned or operated by the Non-Utility Nuclear business
- resolution of pending or future applications for license extensions or modifications of nuclear generating facilities
- the performance of Entergy's generating plants, and particularly the capacity factors at its nuclear generating facilities
- Entergy's ability to develop and execute on a point of view regarding future prices of electricity, natural gas, and other energy-related commodities
- prices for power generated by Entergy's merchant generating facilities, the ability to hedge, sell power forward or otherwise reduce the market price risk associated with those facilities, including the Non-Utility Nuclear plants, and the prices and availability of fuel and power Entergy must purchase for its utility customers, and Entergy's ability to meet credit support requirements for fuel and power supply contracts
- volatility and changes in markets for electricity, natural gas, uranium, and other energy-related commodities
- changes in law resulting from federal or state energy legislation
- changes in environmental, tax, and other laws, including requirements for reduced emissions of sulfur, nitrogen, carbon, mercury, and other substances
- uncertainty regarding the establishment of interim or permanent sites for spent nuclear fuel and nuclear waste storage and disposal
- variations in weather and the occurrence of hurricanes and other storms and disasters, including uncertainties associated with efforts to remediate the effects of hurricanes and ice storms (including most recently, Hurricane Gustav and Hurricane Ike and the January 2009 ice storm in Arkansas) and recovery of costs associated with restoration, including accessing funded storm reserves, federal and local cost recovery mechanisms, securitization, and insurance
- Entergy's ability to manage its capital projects and operation and maintenance costs
- Entergy's ability to purchase and sell assets at attractive prices and on other attractive terms
- the economic climate, and particularly growth in Entergy's Utility service territory and the Northeast United States

FORWARD-LOOKING INFORMATION (Concluded)

- the effects of Entergy's strategies to reduce tax payments
- changes in the financial markets, particularly those affecting the availability of capital and Entergy's ability to refinance existing debt, execute its share repurchase program, and fund investments and acquisitions
- actions of rating agencies, including changes in the ratings of debt and preferred stock, changes in general corporate ratings, and changes in the rating agencies' ratings criteria
- changes in inflation and interest rates
- the effect of litigation and government investigations or proceedings
- advances in technology
- the potential effects of threatened or actual terrorism and war
- Entergy's ability to attract and retain talented management and directors
- changes in accounting standards and corporate governance
- declines in the market prices of marketable securities and resulting funding requirements for Entergy's defined benefit pension and other postretirement benefit plans
- changes in the results of decommissioning trust fund earnings or in the timing of or cost to decommission nuclear plant sites
- the ability to successfully complete merger, acquisition, or divestiture plans, regulatory or other limitations imposed as a result of merger, acquisition, or divestiture, and the success of the business following a merger, acquisition, or divestiture
- and the risks inherent in the contemplated Non-Utility Nuclear spin-off, joint venture, and related transactions. Entergy Corporation cannot provide any assurances that the spin-off or any of the proposed transactions related thereto will be completed, nor can it give assurances as to the terms on which such transactions will be consummated. The transaction is subject to certain conditions precedent, including regulatory approvals and the final approval by the Board.

DEFINITIONS

Certain abbreviations or acronyms used in the text and notes are defined below:

Abbreviation or Acronym	Term
AEEC	Arkansas Electric Energy Consumers
AFUDC	Allowance for Funds Used During Construction
ALJ	Administrative Law Judge
ANO 1 and 2	Units 1 and 2 of Arkansas Nuclear One Steam Electric Generating Station (nuclear), owned by Entergy Arkansas
APSC	Arkansas Public Service Commission
Board	Board of Directors of Entergy Corporation
capacity factor	Actual plant output divided by maximum potential plant output for the period
City Council or Council	Council of the City of New Orleans, Louisiana
Entergy	Entergy Corporation and its direct and indirect subsidiaries
Entergy Corporation	Entergy Corporation, a Delaware corporation
Entergy Gulf States, Inc.	Predecessor company for financial reporting purposes to Entergy Gulf States Louisiana that included the assets and business operations of both Entergy Gulf States Louisiana and Entergy Texas
Entergy Gulf States Louisiana	

	Entergy Gulf States Louisiana, L.L.C., a company created in connection with the jurisdictional separation of Entergy Gulf States, Inc. and the successor company to Entergy Gulf States, Inc. for financial reporting purposes. The term is also used to refer to the Louisiana jurisdictional business of Entergy Gulf States, Inc., as the context requires.
Entergy-Koch	Entergy-Koch, LP, a joint venture equally owned by subsidiaries of Entergy and Koch Industries, Inc.
Entergy Texas	Entergy Texas, Inc., a company created in connection with the jurisdictional separation of Entergy Gulf States, Inc. The term is also used to refer to the Texas jurisdictional business of Entergy Gulf States, Inc., as the context requires.
EPA	United States Environmental Protection Agency
ERCOT	Electric Reliability Council of Texas
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
firm liquidated damages	Transaction that requires receipt or delivery of energy at a specified delivery point (usually at a market hub not associated with a specific asset); if a party fails to deliver or receive energy, the defaulting party must compensate the other party as specified in the contract
Form 10-K	Annual Report on Form 10-K for the calendar year ended December 31, 2008 filed by Entergy Corporation and its Registrant Subsidiaries with the SEC
FSP	FASB Staff Position
Grand Gulf	Unit No. 1 of Grand Gulf Steam Electric Generating Station (nuclear), 90% owned or leased by System Energy
GWh	Gigawatt-hour(s), which equals one million kilowatt-hours
Independence	Independence Steam Electric Station (coal), owned 16% by Entergy Arkansas, 25% by Entergy Mississippi, and 7% by Entergy Power
IRS	Internal Revenue Service
ISO	Independent System Operator
kW	Kilowatt
kWh	Kilowatt-hour(s)
LPSC	Louisiana Public Service Commission
MMBtu	One million British Thermal Units

DEFINITIONS (Continued)

MPSC	Mississippi Public Service Commission
MW	Megawatt(s), which equals one thousand kilowatt(s)
MWh	Megawatt-hour(s)
Net debt ratio	Gross debt less cash and cash equivalents divided by total capitalization less cash and cash equivalents

Net MW in operation	Installed capacity owned or operated
Non-Utility Nuclear	Entergy's business segment that owns and operates six nuclear power plants and sells electric power produced by those plants to wholesale customers
NRC	Nuclear Regulatory Commission
NYPA	New York Power Authority
PPA	Purchased power agreement
production cost	Cost in $/MMBtu associated with delivering gas, excluding the cost of the gas
PUCT	Public Utility Commission of Texas
PUHCA 1935	Public Utility Holding Company Act of 1935, as amended
PUHCA 2005	Public Utility Holding Company Act of 2005, which repealed PUHCA 1935, among other things
Registrant Subsidiaries	Entergy Arkansas, Inc., Entergy Gulf States Louisiana, L.L.C., Entergy Louisiana, LLC, Entergy Mississippi, Inc., Entergy New Orleans, Inc., Entergy Texas, Inc., and System Energy Resources, Inc.
River Bend	River Bend Steam Electric Generating Station (nuclear), owned by Entergy Gulf States Louisiana
SEC	Securities and Exchange Commission
SFAS	Statement of Financial Accounting Standards as promulgated by the FASB
System Agreement	Agreement, effective January 1, 1983, as modified, among the Utility operating companies relating to the sharing of generating capacity and other power resources
System Energy	System Energy Resources, Inc.
TIEC	Texas Industrial Energy Consumers
TWh	Terawatt-hour(s), which equals one billion kilowatt-hours
unit-contingent	Transaction under which power is supplied from a specific generation asset; if the asset is unavailable, the seller is not liable to the buyer for any damages
Unit Power Sales Agreement	Agreement, dated as of June 10, 1982, as amended and approved by FERC, among Entergy Arkansas, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and System Energy, relating to the sale of capacity and energy from System Energy's share of Grand Gulf
Utility	Entergy's business segment that generates, transmits, distributes, and sells electric power, with a small amount of natural gas distribution
Utility operating companies	Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas
Waterford 3	Unit No. 3 (nuclear) of the Waterford Steam Electric Generating Station, 100% owned or leased by Entergy Louisiana
weather-adjusted usage	Electric usage excluding the effects of deviations from normal weather

ENTERGY CORPORATION AND SUBSIDIARIES

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Entergy operates primarily through two business segments: Utility and Non-Utility Nuclear.

- **Utility**
  generates, transmits, distributes, and sells electric power in a four-state service territory that includes portions of Arkansas, Mississippi, Texas, and Louisiana, including the City of New Orleans; and operates a small natural gas distribution business.
- **Non-Utility Nuclear**

owns and operates six nuclear power plants located in the northern United States and sells the electric power produced by those plants primarily to wholesale customers. This business also provides services to other nuclear power plant owners.

In addition to its two primary, reportable, operating segments, Entergy also operates the non-nuclear wholesale assets business. The non-nuclear wholesale assets business sells to wholesale customers the electric power produced by power plants that it owns while it focuses on improving performance and exploring sales or restructuring opportunities for its power plants. Such opportunities are evaluated consistent with Entergy's market-based point-of-view.

Plan to Pursue Separation of Non-Utility Nuclear

See the Form 10-K for a discussion of the Board-approved plan to pursue a separation of the Non-Utility Nuclear business from Entergy through a tax-free spin-off of the Non-Utility Nuclear business to Entergy shareholders. There are no substantive updates to that disclosure.

Hurricane Gustav and Hurricane Ike

See the Form 10-K for a discussion of Hurricane Gustav and Hurricane Ike, which caused catastrophic damage to portions of Entergy's service territories in Louisiana and Texas, and to a lesser extent in Arkansas and Mississippi, in September 2008. Entergy is still considering its options to recover its storm restoration costs associated with these storms, including securitization. In April 2009 a law was enacted in Texas that authorizes recovery of these types of costs by securitization. Entergy Texas filed its storm cost recovery case in April 2009 seeking a determination that $577.5 million of Hurricane Ike restoration costs are recoverable, including estimated costs for work to be completed. Entergy Texas also expects to make a filing seeking approval to recover its approved costs, plus carrying costs, by securitization. Entergy Gulf States Louisiana and Entergy Louisiana expect to initiate their storm cost recovery proceedings with the LPSC in May 2009.

Entergy Arkansas January 2009 Ice Storm

See the Form 10-K for a discussion of the severe ice storm that caused significant damage to Entergy Arkansas' transmission and distribution lines, equipment, poles, and other facilities in January 2009. See Note 2 to the financial statements herein for a discussion of Entergy Arkansas' accounting for and recovery of these storm costs.

Results of Operations

Income Statement Variances

Following are income statement variances for Utility, Non-Utility Nuclear, Parent & Other, and Entergy comparing the first quarter 2009 to the first quarter 2008 showing how much the line item increased or (decreased) in comparison to the prior period:

	Utility	Non-Utility Nuclear	Parent & Other (1)	Entergy
		(In Thousands)		
1st Qtr 2008 Consolidated Net Income	$121,479	$221,697	($29,429)	$313,747
Net revenue (operating revenue less fuel expense, purchased power, and other regulatory charges/credits)	2,131	(22,317)	874	(19,312)
Other operation and maintenance expenses	1,885	18,387	13,162	33,434
Taxes other than income taxes	19,092	6,079	655	25,826
Depreciation and amortization	9,628	2,965	274	12,867
Other income	25,187	(12,922)	(29,050)	(16,785)
Interest charges	5,537	240	(18,897)	(13,120)
Other expenses	7,466	801	-	8,267
Income taxes	(10,780)	(22,896)	3,719	(29,957)
1st Qtr 2009 Consolidated Net Income	$115,969	$180,882	($56,518)	$240,333

(1) Parent & Other includes eliminations, which are primarily intersegment activity.

Refer to "**ENTERGY CORPORATION AND SUBSIDIARIES - SELECTED OPERATING RESULTS**" for further information with respect to operating statistics.

Net Revenue

Utility

Following is an analysis of the change in net revenue comparing the first quarter 2009 to the first quarter 2008.

	Amount (In Millions)
2008 net revenue	$1,035
Retail electric price	8
Volume/weather	(7)
Other	1
2009 net revenue	$1,037

The retail electric price increase is primarily due to:

- a capacity acquisition rider that became effective in February 2008 at Entergy Arkansas;
- rate increases that were implemented in January 2009 at Entergy Texas; and
- an increase in the Attala power plant costs recovered through the power management rider by Entergy Mississippi. The net income effect of this recovery is limited to a portion representing an allowed return on equity with the remainder offset by Attala power plant costs in other operation and maintenance expenses, depreciation expenses, and taxes other than income taxes.

The retail electric price increase was partially offset by:

- the absence of interim storm recoveries through the formula rate plans at Entergy Louisiana and Entergy Gulf States Louisiana, which ceased upon the Act 55 financing of storm costs in the third quarter 2008; and
- a credit passed on to customers as a result of the Act 55 storm cost financings.

The volume/weather variance is primarily due to decreased electricity usage of 13% by industrial customers. The overall decline of the economy led to lower usage affecting both the large customer industrial segment as well as small and mid-sized industrial customers, who are also being affected by overseas competition. The effect of the industrial sales volume decrease is mitigated, however, because of the fixed charge basis of many industrial customers' rates, which causes average price per KWh sold to increase as the fixed charges are spread over lower volume.

Non-Utility Nuclear

Following is an analysis of the change in net revenue comparing the first quarter 2009 to the first quarter 2008.

	Amount (In Millions)
2008 net revenue	$625
Volume variance	(38)
Realized price changes	19
Other	(3)
2009 net revenue	$603

As shown in the table above, net revenue for Non-Utility Nuclear decreased by $22 million, or 4%, in the first quarter 2009 compared to the first quarter 2008 primarily due to lower volume resulting from more refueling outage days, partially offset by higher pricing in its contracts to sell power. Included in net revenue is $13 million and $19 million of amortization of the Palisades purchased power agreement in the first quarter 2009 and 2008, respectively, which is non-cash revenue and is discussed in Note 15 to the financial statements in the Form 10-K. Following are key performance measures for Non-Utility Nuclear for the first quarter 2009 and 2008:

	2009	2008
Net MW in operation at March 31	4,998	4,998
Average realized price per MWh	$63.84	$61.47

GWh billed	10,074	10,760
Capacity factor	92%	97%
Refueling Outage Days:		
Indian Point 2	-	7
Indian Point 3	21	-
Palisades	9	-

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Realized Price per MWh

See the Form 10-K for a discussion of factors that have influenced Non-Utility Nuclear's realized price per MWh. Non-Utility Nuclear's annual average realized price per MWh increased from $39.40 for 2003 to $59.51 for 2008. In addition, as shown in the contracted sale of energy table in "**Market and Credit Risk Sensitive Instruments**," Non-Utility Nuclear has sold forward 87% of its planned energy output for the remainder of 2009 for an average contracted energy price of $60 per MWh. Recent trends in the energy commodity markets have resulted in lower natural gas prices and consequently current prevailing market prices for electricity in the New York and New England power regions are generally below the prices in Non-Utility Nuclear's existing contracts in those regions. Therefore, it is uncertain whether Non-Utility Nuclear will continue to experience increases in its annual realized price per MWh.

Other Income Statement Items

Utility

Other operation and maintenance expenses increased from $420 million for the first quarter 2008 to $422 million for the first quarter 2009 primarily due to:

- an increase of $9 million in nuclear expenses primarily due to increased nuclear labor and contract costs; and
- an increase of $4 million in transmission expenses, including independent coordinator of transmission expenses and transmission line and substation maintenance.

These increases were substantially offset by a decrease of $12 million in payroll-related and benefits costs.

Taxes other than income taxes increased primarily due to the favorable resolution in the first quarter 2008 of issues relating to the tax exempt status of bonds for the Utility, which reduced taxes other than income taxes in 2008. Approximately half of the decrease in 2008 related to resolution of this issue is at System Energy and has no effect on net income because System Energy also has a corresponding decrease in its net revenue.

Depreciation and amortization expenses increased primarily due to an increase in plant in service.

Other income increased primarily due to:

- distributions of $14 million earned by Entergy Louisiana and $5 million earned by Entergy Gulf States Louisiana on investments in preferred membership interests of Entergy Holdings Company. The distributions on preferred membership interests are eliminated in consolidation and have no effect on net income because the investment is in another Entergy subsidiary. See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources - Hurricane Katrina and Hurricane Rita -** Storm Cost Financings" in the Form 10-K for discussion of these investments in preferred membership interests;

- an increase of $8 million in allowance for equity funds used during construction due to more construction work in progress primarily as a result of Hurricane Gustav and Hurricane Ike; and
- an increase of $7 million in carrying charges on storm restoration costs.

This increase was partially offset by a decrease of $6 million resulting from lower interest earned on the decommissioning trust funds and short-term investments.

Non-Utility Nuclear

Other operation and maintenance expenses increased from $182 million for the first quarter 2008 to $200 million for the first quarter 2009 primarily due to $8 million in outside service costs and incremental labor costs related to the planned spin-off of the Non-Utility Nuclear business.

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Other income decreased primarily due to $16 million in charges to interest income in 2009 resulting from the recognition of impairments of certain equity securities held in Non-Utility Nuclear's decommissioning trust funds that are not considered temporary.

Parent & Other

Other operation and maintenance expenses increased for the parent company, Entergy Corporation, primarily due to outside services costs of $15 million related to the planned spin-off of the Non-Utility Nuclear business.

Other income decreased primarily due to the elimination for consolidation purposes of distributions earned of $14 million by Entergy Louisiana and $5 million by Entergy Gulf States Louisiana on investments in preferred membership interests of Entergy Holdings Company, as discussed above.

Interest charges decreased primarily due to lower interest rates on borrowings under Entergy Corporation's revolving credit facility.

Income Taxes

The effective income tax rates for the first quarters of 2009 and 2008 were 40.4% and 38.1%, respectively. The difference in the effective income tax rate versus the statutory rate of 35% for the first quarter 2009 is primarily due to state income taxes and certain book and tax differences for utility plant items, partially offset by book and tax differences related to the storm cost financing and allowance for equity funds used during construction. The difference in the effective income tax rate versus the statutory rate of 35% for the first quarter 2008 is primarily due to state income taxes and certain book and tax differences for utility plant items, partially offset by an adjustment to state income taxes for Non-Utility Nuclear to reflect the effect of a change in the methodology of computing New York state income taxes as required by that state's taxing authority.

Liquidity and Capital Resources

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS -** Liquidity and Capital Resources" in the Form 10-K for a discussion of Entergy's capital structure, capital expenditure plans and other uses of capital, and sources of capital. Following are updates to that discussion.

Capital Structure

Entergy's capitalization is balanced between equity and debt, as shown in the following table. The decrease in the debt to capital percentage from 2008 to 2009 is primarily due to the unsuccessful remarketing of $500 million of notes associated with Entergy Corporation's equity units resulting in a decrease in long-term debt and an increase in common shareholders' equity.

	March 31, 2009	December 31, 2008
Net debt to net capital	53.4%	55.6%
Effect of subtracting cash from debt	4.0%	4.1%
Debt to capital	57.4%	59.7%

Net debt consists of debt less cash and cash equivalents. Debt consists of notes payable, capital lease obligations, and long-term debt, including the currently maturing portion. Capital consists of debt, common shareholders' equity, and subsidiaries' preferred stock without sinking fund. Net capital consists of capital less cash and cash equivalents. Entergy uses the net debt to net capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy's financial condition.

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As discussed in the Form 10-K, Entergy Corporation has in place a $3.5 billion credit facility that expires in August 2012. Entergy Corporation has the ability to issue letters of credit against the total borrowing capacity of the facility. As of March 31, 2009, amounts outstanding under the credit facility are:

Capacity	Borrowings	Letters of Credit	Capacity Available
(In Millions)			
$3,500	$3,232	$68	$200

Entergy Corporation's credit facility requires it to maintain a consolidated debt ratio of 65% or less of its total capitalization. The calculation of this debt ratio under Entergy Corporation's credit facility and in the indenture governing the Entergy Corporation senior notes is different than the calculation of the debt to capital ratio above. Entergy is currently in compliance with this covenant. If Entergy fails to meet this ratio, or if Entergy or one of the Utility operating companies (except Entergy New Orleans) defaults on other indebtedness or is in bankruptcy or insolvency proceedings, an acceleration of the facility's maturity date may occur, and there may be an acceleration of amounts due under Entergy Corporation's senior notes.

See Note 4 to the financial statements herein for additional discussion of the Entergy Corporation credit facility and discussion of the Registrant Subsidiaries' credit facilities.

Capital Expenditure Plans and Other Uses of Capital

See the table and discussion in the Form 10-K under "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources - Capital Expenditure Plans and Other Uses of Capital**," that sets forth the amounts of planned construction and other capital investments by operating segment for 2009 through 2011. Following is an update to the discussion in the Form 10-K.

Little Gypsy Repowering Project

See the Form 10-K for a discussion of Entergy Louisiana's Little Gypsy repowering project. On March 11, 2009, the LPSC voted in favor of a motion directing Entergy Louisiana to temporarily suspend the repowering project and, based upon an analysis of the project's economic viability, to make a recommendation regarding whether to proceed with the project. This action was based upon a number of factors including the recent decline in natural gas prices, as well as environmental concerns, the unknown costs of carbon legislation and changes in the capital/financial markets. On April 1, 2009, Entergy Louisiana complied with the LPSC's directive and recommended that the project be suspended for an extended period of time of three years or more. Entergy Louisiana estimates that its total costs for the project, if suspended, including actual spending to date and estimated contract cancellation costs, will be approximately $300 million. Entergy Louisiana had obtained all major environmental permits required to begin construction. A longer-term suspension places these permits at risk and may adversely affect the project's economics and technological feasibility. The LPSC has not yet taken action on Entergy Louisiana's recommendation, and Entergy Louisiana filed with the LPSC on May 5, 2009, a motion requesting a ruling from the LPSC that the decision to suspend the project for an extended period of time is prudent, without prejudice to subsequent consideration of the prudence of Entergy Louisiana's management of the project and recovery of the project costs. Entergy Louisiana expects to make a filing later in 2009 with the LPSC regarding the recovery of project costs.

White Bluff Coal Plant Project

See the Form 10-K for a discussion of the environmental compliance project that will install scrubbers and low NOx burners at Entergy Arkansas' White Bluff coal plant. In March 2009, Entergy Arkansas made a filing with the APSC seeking a declaratory order that the project is in the public interest. The filing requests a procedural schedule providing for an APSC decision in September 2009. In May 2009 the

APSC Staff filed a motion requesting that the APSC require Entergy Arkansas to file testimony on several issues and suggesting a procedural schedule that culminates in a February 2010 hearing date. The APSC has not set a procedural schedule at this time.

Pension Contributions

For an update to the discussion on pension contributions see "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates - Qualified Pension and Other Postretirement Benefits - Costs and Funding.**"

Sources of Capital

The short-term borrowings of the Registrant Subsidiaries and certain other Entergy subsidiaries are limited to amounts authorized by the FERC. The current FERC-authorized limits are effective through March 31, 2010, as established by a FERC order issued March 31, 2008 (except for Entergy Gulf States Louisiana and Entergy Texas, which are effective through November 8, 2009, as established by an earlier FERC order). See Note 4 to the financial statements for further discussion of Entergy's short-term borrowing limits.

Cash Flow Activity

As shown in Entergy's Consolidated Statements of Cash Flows, cash flows for the three months ended March 31, 2009 and 2008 were as follows:

	2009	2008
	(In Millions)	
Cash and cash equivalents at beginning of period	$1,920	$1,254
Cash flow provided by (used in):		
Operating activities	375	448
Investing activities	(646)	(588)
Financing activities	154	(198)
Net decrease in cash and cash equivalents	(117)	(338)
Cash and cash equivalents at end of period	$1,803	$916

<u>Operating Activities</u>

Entergy's cash flow provided by operating activities decreased by $73 million for the three months ended March 31, 2009 compared to the three months ended March 31, 2008. Following are cash flows from operating activities by segment:

- Utility provided $151 million in cash from operating activities in 2009 compared to providing $168 million in 2008 primarily due to Hurricane Gustav, Hurricane Ike, and Arkansas ice storm restoration spending, and working capital requirements, offset by increased collection of fuel costs and a decrease of $27 million in pension contributions.
- Non-Utility Nuclear provided $304 million (excluding the effect of intercompany transactions) in cash from operating activities in 2009 compared to providing $340 million in 2008 primarily due to spending related to the planned separation of Non-Utility Nuclear and an increase of $26 million in pension contributions.
- Parent & Other used approximately $81 million (excluding the effect of intercompany transactions) in cash from operating activities in 2009 compared to using $60 million in 2008 primarily due to spending related to the planned separation of Non-Utility Nuclear.

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<u>Investing Activities</u>

Net cash used in investing activities increased by $58 million for the three months ended March 31, 2009 compared to the three months ended March 31, 2008 primarily due to the following activity:

- Construction expenditures were $82 million higher in 2009 than in 2008 primarily due to Hurricane Gustav, Hurricane Ike, and Arkansas ice storm restoration spending.
- In March 2008, Entergy Gulf States Louisiana purchased the Calcasieu Generating Facility, a 322 MW simple-cycle, gas-fired power plant located near the city of Sulphur in southwestern Louisiana, for approximately $56.4 million.

Financing Activities

Financing activities provided net cash flow of $154 million for the three months ended March 31, 2009 compared to using $198 million for the three months ended March 31, 2008. The following significant financing cash flow activity occurred in the first quarters of 2009 and 2008:

- Entergy Corporation decreased the net borrowings under its credit facilities by $5 million in the first quarter 2009 compared to increasing the net borrowings under its credit facilities by $225 million in the first quarter 2008. See Note 4 to the financial statements for a description of the Entergy Corporation credit facilities.
- Entergy Texas issued $500 million of 7.125% Series Mortgage Bonds in January 2009 and used a portion of the proceeds to repay $100 million in borrowings outstanding on its long-term credit facility and $70.8 million in long-term debt prior to maturity.
- Entergy Corporation repaid $87 million of notes payable at their maturity in March 2008.
- Entergy Corporation repurchased $158 million of its common stock in the first quarter 2008.

Rate, Cost-recovery, and Other Regulation

See **"MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Rate, Cost-recovery, and Other Regulation"** in the Form 10-K for discussions of rate regulation and federal regulation. Following are updates to the information provided in the Form 10-K.

State and Local Rate Regulation and Fuel-Cost Recovery

See the Form 10-K for a chart summarizing material rate proceedings. See Note 2 to the financial statements herein for updates to the proceedings discussed in that chart.

Federal Regulation

See the Form 10-K for a discussion of federal regulatory proceedings. Following are updates to that discussion.

System Agreement Proceedings

Entergy Arkansas and Entergy Mississippi Notices of Termination of System Agreement Participation and Related APSC Investigation

On February 2, 2009, Entergy Arkansas and Entergy Mississippi filed with the FERC their notices of cancellation to effectuate the termination of their participation in the Entergy System Agreement, effective December 18, 2013 and November 7, 2015, respectively. While the FERC had indicated previously that the notices should be filed 18 months prior to Entergy Arkansas' termination (approximately mid-2012), the filing explains that resolving this issue now, rather than later, is important to ensure that informed long-term resource planning decisions can be made during the years leading up to Entergy Arkansas' withdrawal and that all of the Utility operating companies are properly positioned to continue to operate reliably following Entergy Arkansas' and, eventually, Entergy Mississippi's, departure from the

System Agreement. Entergy Arkansas and Entergy Mississippi requested that the FERC accept the proposed notices of cancellation without further proceedings. Various parties intervened or filed protests in the proceeding, including the APSC, the LPSC, the MPSC, and the City Council. The APSC and the MPSC support the notices, but the other parties generally request either dismissal of the filings or that the proceeding be set for hearing. Entergy Arkansas and Entergy Mississippi responded to the interventions and protests. Entergy Arkansas and Entergy Mississippi reiterated their request that the FERC accept the proposed notices of cancellation. If further inquiry by the FERC is necessary, Entergy Arkansas and Entergy Mississippi proposed that the FERC institute a paper hearing to resolve the major policy and legal issues and then, if necessary, set any remaining factual questions for an expedited hearing.

Independent Coordinator of Transmission

In the FERC's April 2006 order that approved Entergy's Independent Coordinator of Transmission (ICT) proposal, the FERC stated that the Weekly Procurement Process (WPP) must be operational within approximately 14 months of the FERC order, or June 24, 2007, or the FERC may reevaluate all approvals to proceed with the ICT. The Utility operating companies filed status reports with the FERC notifying the FERC that, due to unexpected issues with the development of the WPP software and testing, the WPP was still not operational. The Utility operating companies also filed various tariff revisions with the FERC in 2007 and 2008 to address issues identified during the testing of the WPP and changes to the effective date of the WPP. On October 10, 2008, the FERC issued an order accepting a tariff amendment establishing that the WPP shall take effect at a date to be determined, after completion of successful simulation trials and the ICT's endorsement of the WPP's implementation. On January 16, 2009, the Utility operating companies filed a compliance filing with the FERC that included the ICT's endorsement of the WPP implementation, subject to the FERC's acceptance of certain additional tariff amendments and the completion of simulation testing and certain other items. The Utility operating companies filed the tariff amendments supported by the ICT on the same day. The amendments proposed to further amend the WPP to (a) limit supplier offers in the WPP to on-peak periods and (b) eliminate the granting of certain transmission service through the WPP.

On March 17, 2009, the FERC issued an order conditionally approving the proposed modification to the WPP to allow the process to be implemented the week of March 23, 2009. In its order approving the requested modifications, the FERC imposed additional conditions related to the ICT arrangement and indicated it was going to evaluate the success of the ICT arrangement, including the cost and benefits of implementing the WPP and whether the WPP goes far enough to address the transmission access issues that the ICT and WPP were intended to address. On April 17, 2009, the FERC issued a notice announcing that the FERC, in conjunction with the APSC, the LPSC, the MPSC, the PUCT, and the City Council, will host a conference on June 24, 2009, to discuss the ICT arrangement and transmission access on the Entergy transmission system.

Market and Credit Risk Sensitive Instruments

Commodity Price Risk

Power Generation

As discussed more fully in the Form 10-K, the sale of electricity from the power generation plants owned by Entergy's Non-Utility Nuclear business, unless otherwise contracted, is subject to the fluctuation of market power prices. Following is an updated summary of the amount of the Non-Utility Nuclear business' output that is sold forward as of March 31, 2009 under physical or financial contracts (2009 represents the remaining three quarters of the year):

	2009	2010	2011	2012	2013
Non-Utility Nuclear :					
Percent of planned generation sold forward:					
Unit-contingent	47%	31%	29%	18%	12%
Unit-contingent with availability guarantees (1)	40%	35%	17%	7%	6%
Total	87%	66%	46%	25%	18%
Planned generation (TWh)	31	40	41	41	40
Average contracted price per MWh (2)	$60	$60	$56	$54	$50

(1) A sale of power on a unit-contingent basis coupled with a guarantee of availability provides for the payment to the power purchaser of contract damages, if incurred, in the event the seller fails to deliver power as a result of the failure of the specified generation unit to generate power at or above a specified availability threshold. All of Entergy's outstanding guarantees of availability provide for dollar limits on Entergy's maximum liability under such guarantees.

(2) The Vermont Yankee acquisition included a 10-year PPA under which the former owners will buy most of the power produced by the plant, which is through the expiration in 2012 of the current operating license for the plant. The PPA includes an adjustment clause under which the prices specified in the PPA will be adjusted downward monthly, beginning in November 2005, if power market prices drop below prices specified in the PPA, which has not happened thus far.

Some of the agreements to sell the power produced by Entergy's Non-Utility Nuclear power plants contain provisions that require an Entergy subsidiary to provide collateral to secure its obligations under the agreements. The Entergy subsidiary is required to provide collateral based upon the difference between the current market and contracted power prices in the regions where Non-Utility Nuclear sells power. The primary form of collateral to satisfy these requirements is an Entergy Corporation guaranty. Cash and letters of credit are also acceptable forms of collateral. At March 31, 2009, based on power prices at that time, Entergy had in place as collateral $499 million of Entergy Corporation guarantees for wholesale transactions, including $60 million of guarantees that support letters of credit and $2 million of cash collateral. As of March 31, 2009, the assurance requirement associated with Non-Utility Nuclear is estimated to increase by an amount of up to $191 million if gas prices increase $1 per MMBtu in both the short- and long-term markets. In the event of a decrease in Entergy Corporation's credit rating to below investment grade, based on power prices as of March 31, 2009, Entergy would have been required under some of the agreements to replace approximately $73 million of the Entergy Corporation guarantees with cash or letters of credit.

For the planned energy output under contract through 2013 as of March 31, 2009, 61% of the planned energy output is under contract with counterparties with public investment grade credit ratings; 38% is with counterparties with public non-investment grade credit ratings, primarily a utility from which Non-Utility Nuclear purchased one of its power plants and entered into a long-term fixed-price purchased power agreement; and 1% is with load-serving entities without public credit ratings.

In addition to selling the power produced by its plants, the Non-Utility Nuclear business sells unforced capacity to load-serving distribution companies in order for those companies to meet requirements placed on them by the ISO in their area. Following is a summary of the amount of the Non-Utility Nuclear business' unforced capacity that is currently sold forward, and the blended amount of the Non-Utility Nuclear business' planned generation output and unforced capacity that is currently sold forward as of March 31, 2009 (2009 represents the remaining three quarters of the year):

	2009	2010	2011	2012	2013
Non-Utility Nuclear :					
Percent of capacity sold forward:					
Bundled capacity and energy contracts	26%	26%	25%	18%	16%
Capacity contracts	53%	34%	25%	10%	0%
Total	79%	60%	50%	28%	16%
Planned net MW in operation	4,998	4,998	4,998	4,998	4,998
Average capacity contract price per kW per month	$2.3	$3.4	$3.6	$3.6	$-
Blended Capacity and Energy (based on revenues)					
% of planned generation and capacity sold forward	89%	68%	46%	22%	14%
Average contract revenue per MWh	$62	$62	$59	$56	$50

Critical Accounting Estimates

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates**" in the Form 10-K for a discussion of the estimates and judgments necessary in Entergy's accounting for nuclear decommissioning costs, unbilled revenue, impairment of long-lived assets and trust fund investments, qualified pension and other postretirement benefits, and other contingencies. The following are updates to that discussion.

Nuclear Decommissioning Costs

In the first quarter 2009, Entergy Arkansas recorded a revision to its estimated decommissioning cost liabilities for ANO 1 and 2 as a result of a revised decommissioning cost study. The revised estimates resulted in an $8.9 million reduction in its decommissioning liability, along with a corresponding reduction in the related regulatory asset.

Qualified Pension and Other Postretirement Benefits

Costs and Funding

The recent decline in stock market prices will affect Entergy's planned levels of contributions in the future. Minimum required funding calculations as determined under Pension Protection Act guidance are performed annually as of January 1 of each year and are based on measurements of the market-related values of assets and funding liabilities as measured at that date. An excess of the funding liability over the market-related value of assets results in a funding shortfall which, under the Pension Protection Act, must be funded over a seven-year rolling period. Entergy's minimum required contributions for the 2009 plan year are generally payable in installments throughout 2009 and 2010 and will be based on the funding calculations as of January 1, 2009. The final date at which 2009 plan year contributions may be made is September 15, 2010.

On March 31, 2009, the United States Treasury Department issued guidance that allows plan sponsors to use interest rates earlier in 2008 to measure the present value of the funding liability at January 1, 2009. Prior to this change, the rates required to be used for Entergy were from the month of December 2008 and the sharp decrease in interest rates during December 2008 was expected to generate significant increases in the funding liability. A higher liability coupled with losses in the fair market value of pension assets would have increased the funding shortfall at January 1, 2009 and resulted in larger future contributions for the 2009 plan year, payable in 2009 and 2010 as described above. Entergy's January 1, 2009 funding liability valuation was favorably impacted by this guidance and 2009 contributions are not expected to materially increase. However, to the extent that the higher interest rates experienced in 2008 do not recur in future periods and the fair market values of pension assets do not significantly recover, Entergy's January 1, 2010 funded status could be adversely affected and significantly increase future pension plan contributions.

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New Accounting Pronouncements

In December 2008 the FASB issued FSP FAS 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets" (FSP 132(R)-1), that requires enhanced disclosures about plan assets of defined benefit pension and other postretirement plans, including disclosure of each major category of plan assets using the fair value hierarchy and concentrations of risk within plan assets. FSP 132(R)-1 is effective for fiscal years ending after December 15, 2009.

In April 2009 the FASB issued FSP FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" (FSP 107-1 and APB 28-1). FSP 107-1 and APB 28-1 relates to fair value disclosures for all financial instruments not measured on the balance sheet at fair value, and requires these disclosures on a quarterly basis. FSP 107-1 and APB 28-1 is effective for interim reporting periods ending after June 15, 2009.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
For the Three Months Ended March 31, 2009 and 2008
(Unaudited)

	2009	2008
	(In Thousands, Except Share Data)	
OPERATING REVENUES		
Electric	$2,026,916	$2,046,227
Natural gas	74,049	89,395
Competitive businesses	688,147	729,112
TOTAL	2,789,112	2,864,734
OPERATING EXPENSES		
Operating and Maintenance:		
Fuel, fuel-related expenses, and gas purchased for resale	846,332	540,501
Purchased power	323,255	620,642
Nuclear refueling outage expenses	56,779	51,258
Other operation and maintenance	644,702	611,268
Decommissioning	48,742	45,996
Taxes other than income taxes	134,397	108,571

Depreciation and amortization	257,852	244,985
Other regulatory charges (credits) - net	(29,474)	35,280
TOTAL	2,282,585	2,258,501
OPERATING INCOME	506,527	606,233
OTHER INCOME		
Allowance for equity funds used during construction	16,947	9,286
Interest and dividend income	30,650	54,282
Equity in losses of unconsolidated equity affiliates	(3,127)	(929)
Miscellaneous - net	(10,172)	(11,556)
TOTAL	34,298	51,083
INTEREST AND OTHER CHARGES		
Interest on long-term debt	127,965	123,144
Other interest - net	19,293	32,538
Allowance for borrowed funds used during construction	(9,812)	(5,116)
TOTAL	137,446	150,566
INCOME BEFORE INCOME TAXES	403,379	506,750
Income taxes	163,046	193,003
CONSOLIDATED NET INCOME	240,333	313,747
Preferred dividend requirements of subsidiaries	4,998	4,998
NET INCOME ATTRIBUTABLE TO ENTERGY CORPORATION	$235,335	$308,749
Earnings per average common share:		
Basic	$1.22	$1.60
Diluted	$1.20	$1.56
Dividends declared per common share	$0.75	$0.75
Basic average number of common shares outstanding	192,593,601	192,639,605
Diluted average number of common shares outstanding	198,058,002	198,300,041

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Three Months Ended March 31, 2009 and 2008

(Unaudited)

	2009	2008
	(In Thousands)	
OPERATING ACTIVITIES		
Consolidated net income	$240,333	$313,747
Adjustments to reconcile consolidated net income to net cash flow		
provided by operating activities:		
Reserve for regulatory adjustments	1,210	(2,909)
Other regulatory charges (credits) - net	(29,474)	35,280
Depreciation, amortization, and decommissioning	306,594	290,981
Deferred income taxes, investment tax credits, and non-current taxes accrued	155,029	97,984
Equity in earnings of unconsolidated equity affiliates - net of dividends	3,127	929
Changes in working capital:		
Receivables	102,428	(9,374)
Fuel inventory	(17,631)	(22,665)
Accounts payable	(134,008)	9,522
Taxes accrued	(12,784)	-
Interest accrued	(37,413)	(34,238)
Deferred fuel	275,508	(195,650)
Other working capital accounts	(120,505)	(181,401)
Provision for estimated losses and reserves	1,281	4,034
Changes in other regulatory assets	(447,882)	40,569
Other	88,806	101,361
Net cash flow provided by operating activities	374,619	448,170
INVESTING ACTIVITIES		
Construction/capital expenditures	(455,737)	(373,317)
Allowance for equity funds used during construction	16,947	9,286
Nuclear fuel purchases	(118,890)	(170,381)
Proceeds from sale/leaseback of nuclear fuel	11,040	112,700
Payment for purchase of plant	-	(56,409)
Changes in transition charge account	(7,831)	(8,352)
NYPA value sharing payment	(72,000)	(72,000)
Decrease in other investments	7,339	7,974
Proceeds from nuclear decommissioning trust fund sales	583,166	257,718
Investment in nuclear decommissioning trust funds	(610,836)	(294,840)
Net cash flow used in investing activities	(646,802)	(587,621)

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2009 and 2008
(Unaudited)

	2009	2008
	(In Thousands)	
FINANCING ACTIVITIES		
Proceeds from the issuance of:		
Long-term debt	489,987	545,000
Common stock and treasury stock	927	4,670
Retirement of long-term debt	(215,023)	(438,227)
Repurchase of common stock	-	(158,182)
Changes in credit line borrowings - net	25,000	-
Dividends paid:		
Common stock	(142,085)	(144,579)
Preferred stock	(4,998)	(7,270)
Net cash flow provided by (used in) financing activities	153,808	(198,588)
Effect of exchange rates on cash and cash equivalents	842	17
Net decrease in cash and cash equivalents	(117,533)	(338,022)
Cash and cash equivalents at beginning of period	1,920,491	1,253,728
Cash and cash equivalents at end of period	$1,802,958	$915,706
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid (received) during the period for:		
Interest - net of amount capitalized	$176,892	$183,787
Income taxes	($15,139)	$2,157
Noncash financing activities:		
Long-term debt retired (equity unit notes)	($500,000)	-

Common stock issued in settlement of equity unit purchase contracts	$500,000	-

See Notes to Financial Statements.

ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS
March 31, 2009 and December 31, 2008
(Unaudited)

	2009	2008
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$94,372	$115,876
Temporary cash investments	1,708,586	1,804,615
Total cash and cash equivalents	1,802,958	1,920,491
Securitization recovery trust account	19,893	12,062
Accounts receivable:		
Customer	617,132	734,204
Allowance for doubtful accounts	(25,859)	(25,610)
Other	155,029	206,627
Accrued unbilled revenues	248,683	282,914
Total accounts receivable	994,985	1,198,135
Deferred fuel costs	19,527	167,092
Accumulated deferred income taxes	36,232	7,307
Fuel inventory - at average cost	233,776	216,145
Materials and supplies - at average cost	782,279	776,170
Deferred nuclear refueling outage costs	219,236	221,803
System agreement cost equalization	394,000	394,000
Prepayments and other	362,480	247,184
TOTAL	4,865,366	5,160,389
OTHER PROPERTY AND INVESTMENTS		
Investment in affiliates - at equity	63,624	66,247
Decommissioning trust funds	2,718,689	2,832,243
Non-utility property - at cost (less accumulated depreciation)	230,566	231,115
Other	110,890	107,939
TOTAL	3,123,769	3,237,544
PROPERTY, PLANT AND EQUIPMENT		

Electric	35,182,393	34,495,406
Property under capital lease	745,152	745,504
Natural gas	306,854	303,769
Construction work in progress	1,561,230	1,712,761
Nuclear fuel under capital lease	416,913	465,374
Nuclear fuel	672,300	636,813
TOTAL PROPERTY, PLANT AND EQUIPMENT	38,884,842	38,359,627
Less - accumulated depreciation and amortization	16,265,165	15,930,513
PROPERTY, PLANT AND EQUIPMENT - NET	22,619,677	22,429,114
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
SFAS 109 regulatory asset - net	607,706	581,719
Other regulatory assets	3,703,332	3,615,104
Deferred fuel costs	168,122	168,122
Goodwill	377,172	377,172
Other	1,147,443	1,047,654
TOTAL	6,003,775	5,789,771
TOTAL ASSETS	$36,612,587	$36,616,818

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND EQUITY
March 31, 2009 and December 31, 2008
(Unaudited)

	2009	2008
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$575,647	$544,460
Notes payable	80,034	55,034
Accounts payable	874,068	1,475,745
Customer deposits	310,033	302,303
Taxes accrued	62,426	75,210
Interest accrued	149,896	187,310
Deferred fuel costs	311,482	183,539
Obligations under capital leases	162,415	162,393
Pension and other postretirement liabilities	38,338	46,288
System agreement cost equalization	460,315	460,315
Other	229,463	273,297
TOTAL	3,254,117	3,765,894
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	6,796,949	6,565,770

Accumulated deferred investment tax credits	321,276	325,570
Obligations under capital leases	294,257	343,093
Other regulatory liabilities	284,239	280,643
Decommissioning and asset retirement cost liabilities	2,717,086	2,677,495
Accumulated provisions	139,712	147,452
Pension and other postretirement liabilities	2,156,785	2,177,993
Long-term debt	10,921,435	11,174,289
Other	785,294	880,998
TOTAL	24,417,033	24,573,303
Commitments and Contingencies		
Subsidiaries' preferred stock without sinking fund	217,031	217,029
EQUITY		
Common Shareholders' Equity:		
Common stock, $.01 par value, authorized 500,000,000 shares; issued 254,772,087 shares in 2009 and 248,174,087 shares in 2008	2,548	2,482
Paid-in capital	5,370,446	4,869,303
Retained earnings	7,482,329	7,382,719
Accumulated other comprehensive loss	(58,466)	(112,698)
Less - treasury stock, at cost (58,693,564 shares in 2009 and 58,815,518 shares in 2008)	4,166,451	4,175,214
Total common shareholders' equity	8,630,406	7,966,592
Subsidiaries' preferred stock without sinking fund	94,000	94,000
TOTAL	8,724,406	8,060,592
TOTAL LIABILITIES AND EQUITY	$36,612,587	$36,616,818

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS, COMPREHENSIVE INCOME, AND PAID-IN CAPITAL
For the Three Months Ended March 31, 2009 and 2008
(Unaudited)

	2009	2008
	(In Thousands)	

RETAINED EARNINGS				
Retained Earnings - Beginning of period	$7,382,719		$6,735,965	
Add:				
Net income attributable to Entergy Corporation	235,335	$235,335	308,749	$308,749
Adjustment related to FSP FAS 115-2 implementation	6,365		-	
Total	241,700		308,749	
Deduct:				
Dividends declared on common stock	142,090		144,369	
Retained Earnings - End of period	$7,482,329		$6,900,345	
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)				
Balance at beginning of period:				
Accumulated derivative instrument fair value changes	$120,830		($12,540)	
Pension and other postretirement liabilities	(232,232)		(107,145)	
Net unrealized investment gains (losses)	(4,402)		121,611	
Foreign currency translation	3,106		6,394	
Total	(112,698)		8,320	
Net derivative instrument fair value changes arising during the period (net of tax expense (benefit) of $57,186 and ($99,400))	87,714	87,714	(178,766)	(178,766)
Pension and other postretirement liabilities (net of tax expense (benefit) of ($135) and $3,977)	(857)	(857)	(4,136)	(4,136)
Net unrealized investment losses (net of tax benefit of ($35,977) and ($26,630))	(25,417)	(25,417)	(32,550)	(32,550)
Adjustment related to FSP FAS 115-2 implementation (net of tax benefit of ($4,921))	(6,365)	-	-	-
Foreign currency translation (net of tax benefit of ($454) and ($9))	(843)	(843)	(17)	(17)
Balance at end of period:				
Accumulated derivative instrument fair value changes	208,544		(191,306)	
Pension and other postretirement liabilities	(233,089)		(111,281)	
Net unrealized investment gains (losses)	(36,184)		89,061	
Foreign currency translation	2,263		6,377	
Total	($58,466)		($207,149)	

Add: preferred dividend requirements of subsidiaries	4,998	4,998
Comprehensive Income	$300,930	$98,278

PAID-IN CAPITAL

Paid-in Capital - Beginning of period	$4,869,303	$4,850,769
Add:		
Common stock issuances in settlement of equity unit purchase contracts	499,934	-
Common stock issuances related to stock plans	1,209	3,068
Total	501,143	3,068
Paid-in Capital - End of period	$5,370,446	$4,853,837

See Notes to Financial Statements.

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ENTERGY CORPORATION AND SUBSIDIARIES
SELECTED OPERATING RESULTS
For the Three Months Ended March 31, 2009 and 2008
(Unaudited)

Description	2009	2008	Increase/ (Decrease)	%
	(Dollars in Millions)			
Utility Electric Operating Revenues:				
Residential	$756	$731	$25	3
Commercial	560	548	12	2
Industrial	548	606	(58)	(10)
Governmental	53	52	1	2
Total retail	1,917	1,937	(20)	(1)
Sales for resale	74	88	(14)	(16)
Other	36	21	15	71
Total	$2,027	$2,046	($19)	(1)
Utility Billed Electric Energy Sales (GWh):				
Residential	7,893	8,011	(118)	(1)

Commercial	6,194	6,238	(44)	(1)
Industrial	8,139	9,377	(1,238)	(13)
Governmental	562	569	(7)	(1)
Total retail	22,788	24,195	(1,407)	(6)
Sales for resale	1,387	1,290	97	8
Total	24,175	25,485	(1,310)	(5)
Non-Utility Nuclear:				
Operating Revenues	$656	$680	($24)	(4)
Billed Electric Energy Sales (GWh)	10,074	10,760	(686)	(6)

ENTERGY CORPORATION AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. COMMITMENTS AND CONTINGENCIES

Entergy and the Registrant Subsidiaries are involved in a number of legal, regulatory, and tax proceedings before various courts, regulatory commissions, and governmental agencies in the ordinary course of business. While management is unable to predict the outcome of such proceedings, management does not believe that the ultimate resolution of these matters will have a material adverse effect on Entergy's results of operations, cash flows, or financial condition. Entergy discusses regulatory proceedings in Note 2 to the financial statements in the Form 10-K and herein and discusses tax proceedings in Note 3 to the financial statements in the Form 10-K.

Nuclear Insurance

See Note 8 to the financial statements in the Form 10-K for information on nuclear liability and property insurance associated with Entergy's nuclear power plants.

Conventional Property Insurance

See Note 8 to the financial statements in the Form 10-K for information on Entergy's non-nuclear property insurance program.

Employment Litigation

The Registrant Subsidiaries and other Entergy subsidiaries are responding to various lawsuits in both state and federal courts and to other labor-related proceedings filed by current and former employees and third parties not selected for open positions. These actions include, but are not limited to, allegations of wrongful employment actions; wage disputes and other claims under the Fair Labor Standards Act or its state counterparts; claims of race, gender and disability discrimination; disputes arising under collective bargaining agreements; unfair labor practice proceedings and other administrative proceedings before the National Labor Relations Board; claims of retaliation; and claims for or regarding benefits under various Entergy Corporation sponsored plans. Entergy and the Registrant Subsidiaries are responding to these suits and proceedings and deny liability to the claimants.

Asbestos Litigation

(Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas)

See Note 8 to the financial statements in the Form 10-K for information regarding asbestos litigation at Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, and Entergy Texas.

NOTE 2. RATE AND REGULATORY MATTERS

Regulatory Assets

See Note 2 to the financial statements in the Form 10-K for information regarding regulatory assets in the Utility business reflected on the balance sheets of Entergy and the Registrant Subsidiaries. Following are updates to that discussion.

Fuel and purchased power cost recovery

See Note 2 to the financial statements in the Form 10-K for information regarding fuel proceedings involving the Utility operating companies. Following are updates to that information.

Entergy Arkansas

Energy Cost Recovery Rider

In March 2009, Entergy Arkansas filed with the APSC its annual energy cost rate for the period April 2009 through March 2010. The filed energy cost rate decreased from $0.02456/kWh to $0.01552/kWh. The decrease was caused by the following: 1) all three of the nuclear power plants from which Entergy Arkansas obtains power, ANO 1 and 2 and Grand Gulf, had refueling outages in 2008, and the previous energy cost rate had been adjusted to account for the replacement power costs that would be incurred while these units were down; 2) Entergy Arkansas has a deferred fuel cost liability from over-recovered fuel costs at December 31, 2008, as compared to a deferred fuel cost asset from under-recovered fuel costs at December 31, 2007; offset by 3) an increase in the fuel and purchased power prices included in the calculation.

Entergy Texas

In January 2008, Entergy Texas made a compliance filing with the PUCT describing how its 2007 Rough Production Cost Equalization receipts under the System Agreement were allocated between Entergy Gulf States, Inc.'s Texas and Louisiana jurisdictions. A hearing was held at the end of July 2008, and in October 2008 the ALJ issued a proposal for decision recommending an additional $18.6 million allocation to Texas retail customers. The PUCT adopted the ALJ's proposal for decision in December 2008. Because the PUCT allocation to Texas retail customers is inconsistent with the LPSC allocation to Louisiana retail customers, adoption of the proposal for decision by the PUCT could result in trapped costs between the Texas and Louisiana jurisdictions with no mechanism for recovery. The PUCT denied Entergy Texas' motion for rehearing and Entergy Texas appealed the PUCT's decision to both the state and federal district courts. The Utility operating companies also filed with the FERC an amendment to the System Agreement bandwidth formula that would specifically calculate the payments to the Texas and Louisiana businesses of Entergy Gulf States, Inc. of the Rough Production Cost Equalization receipts that Entergy Gulf States, Inc. received during 2007. Several parties, including the LPSC, the City Council, certain Cities served by Entergy Texas, the PUCT, and the TIEC have filed oppositions to the proposed amendment arguing, among other things, that the FERC does not have jurisdiction to allocate the receipts/payments between retail jurisdictions, that any relief that Entergy Texas may be entitled to must be obtained through the court system and not through the FERC, and that the proposed amendments violate the rule against retroactive ratemaking. The Utility operating companies responded to the interventions and protests.

In May 2009, Entergy Texas filed with the PUCT a request to refund $46.1 million, including interest, of fuel cost recovery over-collections through February 2009. Entergy Gulf States requested that the proposed refund be made over a four-month period beginning June 2009.

Storm Cost Recovery Filings

Entergy Arkansas Storm Reserve Accounting

The APSC's June 2007 order in Entergy Arkansas' base rate proceeding, which is discussed in the Form 10-K, eliminated storm reserve accounting for Entergy Arkansas. In March 2009 a law was enacted in Arkansas that requires the APSC to permit storm reserve accounting for utilities that request it. Entergy Arkansas filed its request with the APSC, and has reinstated storm reserve accounting effective January 1, 2009.

Entergy Arkansas January 2009 Ice Storm

In January 2009 a severe ice storm caused significant damage to Entergy Arkansas' transmission and distribution lines, equipment, poles, and other facilities. The current cost estimate for the damage caused by the ice storm is approximately $120 million to $140 million, of which approximately $65 million to $80 million is estimated to be operating and maintenance type costs and the remainder is estimated to be capital investment. On January 30, 2009, the APSC issued an order inviting and encouraging electric public utilities to file specific proposals for the recovery of extraordinary storm restoration expenses associated with the ice storm. Although Entergy Arkansas has not yet filed a proposal for the method of recovery of its costs, on February 16, 2009, it did file a request with the APSC for an accounting order authorizing deferral of the operating and maintenance cost portion of Entergy Arkansas' ice storm restoration costs pending their recovery. The APSC issued such an order in March 2009 subject to certain conditions, including that if Entergy Arkansas seeks to recover the deferred costs, those costs will be subject to investigation for whether they are incremental, prudent, and reasonable. Entergy Arkansas is still analyzing its options for the method of recovery of the ice storm restoration costs. One option is securitization, and in April 2009 a law was enacted in Arkansas that authorizes securitization of storm damage restoration costs.

Entergy Texas Hurricane Ike Filing

See the Form 10-K for a discussion of Hurricane Gustav and Hurricane Ike, which caused catastrophic damage to portions of Entergy's service territories in Louisiana and Texas, and to a lesser extent in Arkansas and Mississippi, in September 2008. In April 2009 a law was enacted in Texas that authorizes recovery of these types of costs by securitization. Entergy Texas filed its storm cost recovery case in April 2009 seeking a determination that $577.5

million of Hurricane Ike restoration costs are recoverable, including estimated costs for work to be completed. Entergy Texas also expects to make a filing seeking approval to recover its approved costs, plus carrying costs, by securitization.

Retail Rate Proceedings

See Note 2 to the financial statements in the Form 10-K for information regarding retail rate proceedings involving the Utility operating companies. The following are updates to the Form 10-K.

Filings with the APSC

Retail Rates

See the Form 10-K for a discussion of the rate filing made by Entergy Arkansas and the proceedings regarding that filing. On April 23, 2009, the Arkansas Supreme Court denied Entergy Arkansas' petition for review of the Court of Appeals decision.

Filings with the PUCT and Texas Cities (Entergy Texas)

Retail Rates

As discussed in the Form 10-K, Entergy Texas made a rate filing in September 2007 with the PUCT requesting an annual rate increase totaling $107.5 million, including a base rate increase of $64.3 million and riders totaling $43.2 million. On December 16, 2008, Entergy Texas filed a term sheet that reflected a settlement agreement that included the PUCT Staff and the other active participants in the rate case. On December 19, 2008, the ALJs approved Entergy Texas' request to implement interim rates reflecting the agreement. The agreement includes a $46.7 million base rate increase, among other provisions. Under the ALJs' interim order, Entergy Texas implemented interim rates, subject to refund and surcharge, reflecting the rates established through the settlement. These rates became effective with bills rendered on and after January 28, 2009, for usage on and after December 19, 2008. In addition, the existing recovery mechanism for incremental purchased power capacity costs ceased as of January 28, 2009, with purchased power capacity costs then subsumed within the base rates set in this proceeding. Certain Texas municipalities have exercised their original jurisdiction and taken final action to approve rates consistent

with the interim rates approved by the ALJs. In March 2009, the PUCT approved the settlement, which makes the interim rates final, and the PUCT's decision is now final and non-appealable.

Filings with the LPSC

Retail Rates - Electric

(Entergy Louisiana)

In May 2007, Entergy Louisiana made its formula rate plan filing with the LPSC for the 2006 test year, indicating a 7.6% earned return on common equity. That filing included Entergy Louisiana's request to recover $39.8 million in unrecovered fixed costs associated with the loss of customers that resulted from Hurricane Katrina, a request that was reduced to $31.7 million. In September 2007, Entergy Louisiana modified its formula rate plan filing to reflect its implementation of certain adjustments proposed by the LPSC Staff in its review of Entergy Louisiana's original filing with which Entergy Louisiana agreed, and to reflect its implementation of an $18.4 million annual formula rate plan increase comprised of (1) a $23.8 million increase representing 60% of Entergy Louisiana's revenue deficiency, and (2) a $5.4 million decrease for reduced incremental and deferred capacity costs. The LPSC authorized Entergy Louisiana to defer for accounting purposes the difference between its $39.8 million claim, now at $31.7 million, for unrecovered fixed cost and 60% of the revenue deficiency to preserve Entergy Louisiana's right to pursue that claim in full during the formula rate plan proceeding. In October 2007, Entergy Louisiana implemented a $7.1 million formula rate plan decrease that was due primarily to the reclassification of certain franchise fees from base rates to collection via a line item on customer bills pursuant to an LPSC Order. The LPSC staff and intervenors recommended disallowance of certain costs included in Entergy Louisiana's filing. Entergy Louisiana disagrees with the majority of the proposed disallowances and a hearing on the disputed issues was held in late-September/early-October 2008. In March 2009 the ALJ issued a proposed recommendation, which does not allow recovery of the unrecovered fixed costs and also disallows recovery of all costs associated with Entergy's stock option plan. Entergy Louisiana has filed exceptions to the ALJ's proposed recommendation.

Retail Rates - Gas

(Entergy Gulf States Louisiana)

In January 2009, Entergy Gulf States Louisiana filed with the LPSC its gas rate stabilization plan for the test year ending September 30, 2008. The filing showed a revenue deficiency of $529 thousand based on a return on common equity mid-point of 10.5%. In April 2009, Entergy Gulf States Louisiana implemented a $255 thousand rate increase pursuant to an uncontested settlement with the LPSC staff.

Filings with the MPSC

In March 2009, Entergy Mississippi made with the MPSC its annual scheduled formula rate plan filing for the 2008 test year. The filing reported a $27.0 million revenue deficiency and an earned return on common equity of 7.41%. Based on the terms of the formula rate plan, Entergy Mississippi is requesting a $14.5 million increase in annual electric revenues. The Mississippi Public Utilities Staff disputed the filing, which extends the resolution deadline to June 30, 2009.

Filings with the City Council

Retail Rates

As discussed in the Form 10-K, on July 31, 2008, Entergy New Orleans filed an electric and gas base rate case with the City Council. On April 2, 2009, the City Council approved a comprehensive settlement. The settlement provides for a total electric bill reduction of $35.3 million, including conversion of the $10.6 million voluntary recovery credit to a permanent reduction and complete realignment of Grand Gulf cost recovery from fuel to base rates, and a $4.95 million gas rate increase, both effective June 1, 2009. A new three-year formula rate plan was also adopted, with terms including an 11.1% electric return on common equity (ROE) with a +/- 40 basis point bandwidth and a 10.75% gas ROE with a +/- 50 basis point bandwidth. Earnings outside the bandwidth reset to the midpoint ROE, with the difference flowing to customers or Entergy New Orleans depending on whether Entergy New Orleans is over or under-earning. The formula rate plan also includes a recovery mechanism for City Council-approved capacity additions, plus provisions for extraordinary cost changes and force majeure.

Fuel Adjustment Clause Litigation

See the Form 10-K for a discussion of the lawsuit filed by a group of ratepayers in April 1999 against Entergy New Orleans, Entergy Corporation, Entergy Services, and Entergy Power in state court in Orleans Parish purportedly on behalf of all Entergy New Orleans ratepayers. In February 2004, the City Council approved a resolution that resulted in a refund to customers of $11.3 million, including interest, during the months of June through September 2004. In May 2005 the Civil District Court for the Parish of Orleans affirmed the City Council resolution, finding no support for the plaintiffs' claim that the refund amount should be higher. In June 2005, the plaintiffs appealed the Civil District Court decision to the Louisiana Fourth Circuit Court of Appeal. On February 25, 2008, the Fourth Circuit Court of Appeal issued a decision affirming in part, and reversing in part, the Civil District Court's decision. Although the Fourth Circuit Court of Appeal did not reverse any of the substantive findings and conclusions of the City Council or the Civil District Court, the Fourth Circuit found that the amount of the refund was arbitrary and capricious and increased the amount of the refund to $34.3 million. In April 2009 the Louisiana Supreme Court reversed the decision of the Louisiana Fourth Circuit Court of Appeal and reinstated the decision of the Civil District Court. On April 17, 2009, the plaintiffs requested rehearing by the Louisiana Supreme Court.

Electric Industry Restructuring in Texas

See Note 2 to the financial statements in the Form 10-K for a discussion of electric industry restructuring activity that involves Entergy Texas. On April 15, 2009, ERCOT filed an updated and revised study delineating the projects, and their costs, necessary to reliably interconnect Entergy Texas' service area with ERCOT. On April 29, 2009, Entergy Texas filed its updated transition to competition plan indicating that it is agreeable to either stay in the SERC Reliability Corporation or move to ERCOT, depending on the PUCT's policy direction. A prehearing conference is scheduled for May 11, 2009 to address the procedural schedule. In addition, legislation is pending in Texas addressing the transition to competition that could end Entergy Texas' efforts to continue the transition to competition process. The Texas legislature adjourns June 1, 2009.

NOTE 3. EQUITY

Common Stock

Common Stock Issuances

In February 2009, Entergy Corporation was unable to remarket successfully $500 million of notes associated with its equity units. The note holders therefore put the notes to Entergy, Entergy retired the notes, and Entergy issued 6,598,000 shares of common stock to the note holders.

Earnings per Share

The following table presents Entergy's basic and diluted earnings per share calculation included on the consolidated statements of income:

	For the Three Months Ended March 31,					
	2009			**2008**		
	(In Millions, Except Per Share Data)					
Basic earnings per share	Income	Shares	$/share	Income	Shares	$/share
Net income attributable to Entergy Corporation	$235.3	192.6	$1.22	$308.7	192.6	$1.60
Average dilutive effect of:						
Stock options	-	2.0	(0.013)	-	4.6	(0.037)
Equity units	$3.2	3.5	(0.005)	-	1.1	(0.009)
Diluted earnings per share	$238.5	198.1	$1.20	$308.7	198.3	$1.56

Entergy's stock option and other equity compensation plans are discussed in Note 12 to the financial statements in the Form 10-K.

Treasury Stock

During the first quarter 2009, Entergy Corporation issued 121,954 shares of its previously repurchased common stock to satisfy stock option exercises and other stock-based awards.

Retained Earnings

On April 7, 2009, Entergy Corporation's Board of Directors declared a common stock dividend of $0.75 per share, payable on June 1, 2009 to holders of record as of May 13, 2009.

Presentation of Non-Controlling Interests

In 2007, the FASB issued SFAS 160, "Non-Controlling Interests in Consolidated Financial Statements, an amendment of ARB No. 51," which requires generally that the ownership interests in subsidiaries held by parties other than the parent (non-controlling interests) be clearly identified, labeled, and presented in the consolidated balance sheet within equity, but separate from the parent's equity, and that the amount of consolidated net income attributable to the parent and to the non-controlling interest be clearly identified and presented on the face of the consolidated income statement. SFAS 160 became effective for Entergy in the first quarter of 2009 and applies to preferred securities issued by Entergy subsidiaries to third parties.

Presentation of Preferred Stock without Sinking Fund

In connection with the adoption of SFAS 160 Entergy evaluated the requirements of EITF Topic No. 98, Classification and Measurement of Redeemable Securities (Topic D-98). Topic D-98 requires the classification of securities between liabilities and shareholders' equity if the holders of those securities have protective rights that allow them to gain control of the board of directors in certain circumstances. These rights would have the effect of giving the holders the ability to potentially redeem their securities, even if the likelihood of occurrence of these circumstances is considered remote. The Entergy Arkansas, Entergy Mississippi and Entergy New Orleans articles of incorporation provide, generally, that the holders of each of those company's preferred securities may elect a majority of the respective company's board of directors if dividends are not paid for a year, until such time as the dividends in arrears are paid. In accordance with Topic D-98, Entergy

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Arkansas, Entergy Mississippi and Entergy New Orleans have presented their preferred securities outstanding at March 31, 2009, between liabilities and shareholders' equity and are restating the December 31, 2008 amounts presented in each affected company's financial statements to reflect this same presentation, which reduces the previously reported total shareholders' equity amount by $116 million, $50 million and $20 million for Entergy Arkansas, Entergy Mississippi and Entergy New Orleans, respectively. The 2007 shareholders' equity for each of the affected companies is restated by the same respective amount. This change has no net effect on those companies' reported amount of total liabilities and equity or any other financial statements presented or amounts included therein. Entergy Gulf States Louisiana and Entergy Louisiana, both organized as limited liability companies, have outstanding preferred securities with similar protective rights with respect to unpaid dividends, but provide for the election of board members that would not constitute a majority of the board; and their preferred securities are therefore classified for all periods presented as a component of members' equity in accordance with SFAS 160.

The outstanding preferred securities of Entergy Arkansas, Entergy Mississippi, Entergy New Orleans, and Entergy Asset Management (whose preferred holders also have protective rights as described in Note 6 to the financial statements in the Form 10-K) are similarly presented between liabilities and shareholders' equity in Entergy's consolidated financial statements and the outstanding preferred securities of Entergy Gulf States Louisiana and Entergy Louisiana are presented within total equity in Entergy's consolidated financial statements. The preferred dividends paid by all subsidiaries are reflected for all periods presented outside of consolidated net income in accordance with SFAS 160. The accompanying financial statements do not separately reconcile the beginning and ending balances of preferred securities because there is no net change in the balance of the securities between periods.

NOTE 4. LINES OF CREDIT, RELATED SHORT-TERM BORROWINGS, AND LONG-TERM DEBT

Entergy Corporation has in place a credit facility that expires in August 2012 and has a borrowing capacity of $3.5 billion. Entergy Corporation also has the ability to issue letters of credit against the total borrowing capacity of the credit facility. The facility fee is currently 0.09% of the commitment amount. Facility fees and interest rates on loans under the credit facility can fluctuate depending on the senior unsecured debt ratings of Entergy Corporation. The weighted average interest rate as of March 31, 2009 was 1.755% on the drawn portion of the facility. Following is a summary of the borrowings outstanding and capacity available under the facility as of March 31, 2009.

Capacity	Borrowings	Letters of Credit	Capacity Available
	(In Millions)		
$3,500	$3,232	$68	$200

Entergy Corporation's facility requires it to maintain a consolidated debt ratio of 65% or less of its total capitalization. Entergy is in compliance with this covenant. If Entergy fails to meet this ratio, or if Entergy or one of the Utility operating companies (except Entergy New Orleans) defaults on other indebtedness or is in bankruptcy or insolvency proceedings, an acceleration of the facility maturity date may occur.

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Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, and Entergy Texas each had credit facilities available as of March 31, 2009 as follows:

Company	Expiration Date	Amount of Facility	Interest Rate (a)	Amount Drawn as of March 31, 2009
Entergy Arkansas	April 2009	$100 million (b)	2.75%	-
Entergy Gulf States Louisiana	August 2012	$100 million (c)	0.99313%	-
Entergy Louisiana	August 2012	$200 million (d)	0.92813%	-
Entergy Mississippi	May 2009	$30 million (e)	2.194%	$15 million
Entergy Mississippi	May 2009	$20 million (e)	2.194%	$10 million
Entergy Texas	August 2012	$100 million (f)	0.99313%	-

(a) The interest rate is the weighted average interest rate as of March 31, 2009 that would be applied to the outstanding borrowings under the facility.

(b) In April 2009, Entergy Arkansas renewed its credit facility through April 2010 in the amount of $88 million. The renewed credit facility requires Entergy Arkansas to maintain a debt ratio of 65% or less of its total capitalization and contains an interest rate floor of 5%. Borrowings under the Entergy Arkansas credit facility may be secured by a security interest in its accounts receivable.

(c) The credit facility allows Entergy Gulf States Louisiana to issue letters of credit against the borrowing capacity of the facility. As of March 31, 2009, no letters of credit were outstanding. The credit facility requires Entergy Gulf States Louisiana to maintain a consolidated debt ratio of 65% or less of its total capitalization. Pursuant to the terms of the credit agreement, the amount of debt assumed by Entergy Texas ($699 million as of March 31, 2009 and $770 million as of December 31, 2008) is excluded from debt and capitalization in calculating the debt ratio.

(d) The credit facility allows Entergy Louisiana to issue letters of credit against the borrowing capacity of the facility. As of March 31, 2009, no letters of credit were outstanding. The credit facility requires Entergy Louisiana to maintain a consolidated debt ratio of 65% or less of its total capitalization.

(e) Borrowings under the Entergy Mississippi credit facilities may be secured by a security interest in its accounts receivable. Prior to expiration on May 31, 2009, Entergy Mississippi expects to renew both of its credit facilities.

(f) The credit facility allows Entergy Texas to issue letters of credit against the borrowing capacity of the facility. As of March 31, 2009, no letters of credit were outstanding. The credit facility requires Entergy

Texas to maintain a consolidated debt ratio of 65% or less of its total capitalization. Pursuant to the terms of the credit agreement, the transition bonds issued by Entergy Gulf States Reconstruction Funding I, LLC, a subsidiary of Entergy Texas, are excluded from debt and capitalization in calculating the debt ratio.

The facility fees on the credit facilities range from 0.09% to 0.15% of the commitment amount.

The short-term borrowings of the Registrant Subsidiaries and certain other Entergy subsidiaries are limited to amounts authorized by the FERC. The current FERC-authorized limits are effective through March 31, 2010 (except Entergy Gulf States Louisiana and Entergy Texas, which are effective through November 8, 2009). In addition to borrowings from commercial banks, these companies are authorized under a FERC order to borrow from the Entergy System money pool. The money pool is an inter-company borrowing arrangement designed to reduce Entergy's subsidiaries' dependence on external short-term borrowings. Borrowings from the money pool and external borrowings combined may not exceed the FERC authorized limits. As of March 31, 2009, Entergy's subsidiaries' aggregate money pool and external short-term borrowings authorized limit was $2.1 billion, the aggregate outstanding borrowing from the money pool was $551 million, and Entergy's subsidiaries' had $25 million in outstanding short-term borrowing from external sources.

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The following are the FERC-authorized limits for short-term borrowings and the outstanding short-term borrowings (aggregating both money pool and external short-term borrowings) for the Registrant Subsidiaries as of March 31, 2009:

	Authorized	Borrowings
	(In Millions)	
Entergy Arkansas	$250	-
Entergy Gulf States Louisiana	$200	-
Entergy Louisiana	$250	-
Entergy Mississippi	$175	$95
Entergy New Orleans	$100	-
Entergy Texas	$200	$42
System Energy	$200	-

Entergy Texas Note Payable to Entergy Corporation

In December 2008, Entergy Texas borrowed $160 million from its parent company, Entergy Corporation, under a $300 million revolving credit facility pursuant to an Inter-Company Credit Agreement between Entergy Corporation and Entergy Texas. The note had a December 3, 2013 maturity date. Entergy Texas used these borrowings, together with other available corporate funds, to pay at maturity the portion of the $350 million Floating Rate series of First Mortgage Bonds due December 2008 that had been assumed by Entergy Texas, and that bond series is no longer outstanding. In January 2009, Entergy Texas repaid its $160 million note payable to Entergy Corporation with the proceeds from the bond issuance discussed below.

Debt Issuances

(Entergy Texas)

In January 2009, Entergy Texas issued $500 million of 7.125% Series Mortgage Bonds due February 2019. Entergy Texas used a portion of the proceeds to repay its $160 million note payable to Entergy Corporation, to repay the $100 million outstanding on its credit facility, to repay short-term borrowings under the Entergy System money pool, and to repay prior to maturity the following obligations that had been assumed by Entergy Texas under the debt assumption agreement with Entergy Gulf States Louisiana:

	Amount
	(In Thousands)
Governmental Bonds share assumed under debt assumption agreement:	
6.75% Series due 2012, Calcasieu Parish	$22,115
6.7% Series due 2013, Point Coupee Parish	$7,990
7.0% Series due 2015, West Feliciana Parish	$22,400
6.6% Series due 2028, West Feliciana Parish	$18,320

Entergy Texas used the remaining proceeds for other general corporate purposes.

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NOTE 5. STOCK-BASED COMPENSATION

Entergy grants stock options, which are described more fully in Note 12 to the financial statements in the Form 10-K. Awards under Entergy's plans generally vest over three years.

The following table includes financial information for stock options for the first quarter for each of the years presented:

	2009	2008
	(In Millions)	
Compensation expense included in Entergy's Net Income	$4.3	$4.4
Tax benefit recognized in Entergy's Net Income	$1.6	$1.7
Compensation cost capitalized as part of fixed assets and inventory	$0.8	$0.8

Entergy granted 1,084,800 stock options during the first quarter 2009 with a weighted-average fair value of $12.47. At March 31, 2009, there were 12,071,491 stock options outstanding with a weighted-average exercise price of $67.62. The aggregate intrinsic value of the stock options outstanding at March 31, 2009 was $5.7 million.

NOTE 6. RETIREMENT AND OTHER POSTRETIREMENT BENEFITS

Components of Net Pension Cost

Entergy's qualified pension cost, including amounts capitalized, for the first quarters of 2009 and 2008, included the following components:

	2009	2008
	(In Thousands)	
Service cost - benefits earned during the period	$22,412	$22,598
Interest cost on projected benefit obligation	54,543	51,647
Expected return on assets	(62,305)	(57,639)
Amortization of prior service cost	1,249	1,266
Amortization of loss	5,600	6,934
Net pension costs	$21,499	$24,806

The Registrant Subsidiaries' qualified pension cost, including amounts capitalized, for the first quarters of 2009 and 2008, included the following components:

2009	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
				(In Thousands)			
Service cost - benefits earned during the period	$3,400	$1,748	$1,974	$995	$425	$917	$880
Interest cost on projected benefit obligation	11,761	5,279	6,940	3,676	1,470	3,935	2,139
Expected return on assets	(12,187)	(7,516)	(8,197)	(4,236)	(1,815)	(5,185)	(2,766)
Amortization of prior service cost	212	110	119	85	52	80	9
Amortization of loss	1,764	79	703	324	305	43	109
Net pension cost/(income)	$4,950	($300)	$1,539	$844	$437	($210)	$371

2008	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
				(In Thousands)			
Service cost - benefits earned during the period	$3,584	$1,841	$2,058	$1,063	$445	$968	$930
Interest cost on projected benefit obligation	11,616	5,047	6,784	3,627	1,415	3,882	1,937
Expected return on assets	(11,765)	(7,165)	(8,134)	(4,075)	(1,839)	(5,047)	(2,452)
Amortization of prior service cost	223	110	119	90	52	80	9
Amortization of loss	2,303	115	920	485	319	156	90
Net pension cost/(income)	$5,961	($52)	$1,747	$1,190	$392	$39	$514

Entergy recognized $4.4 million and $4.3 million in pension cost for its non-qualified pension plans in the first quarters of 2009 and 2008, respectively.

The Registrant Subsidiaries recognized the following pension cost for their non-qualified pension plans in the first quarters of 2009 and 2008:

	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas
			(In Thousands)			
Non-Qualified Pension Cost First Quarter 2009	$99	$97	$6	$43	$20	$185
Non-Qualified Pension Cost First Quarter 2008	$133	$78	$7	$54	$12	$227

<u>Components of Net Other Postretirement Benefit Cost</u>

Entergy's other postretirement benefit cost, including amounts capitalized, for the first quarters of 2009 and 2008, included the following components:

	2009	2008
	(In Thousands)	
Service cost - benefits earned during the period	$11,691	$11,800
Interest cost on APBO	18,816	17,824
Expected return on assets	(5,871)	(7,027)
Amortization of transition obligation	933	957
Amortization of prior service cost	(4,024)	(4,104)
Amortization of loss	4,743	3,890
Net other postretirement benefit cost	$26,288	$23,340

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The Registrant Subsidiaries' other postretirement benefit cost, including amounts capitalized, for the first quarters of 2009 and 2008, included the following components:

2009	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
				(In Thousands)			
Service cost - benefits earned during the period	$1,765	$1,196	$1,147	$530	$311	$619	$513
Interest cost on APBO	3,759	2,005	2,297	1,173	967	1,490	605
Expected return on assets	(2,143)	-	-	(757)	(684)	(1,556)	(414)
Amortization of transition obligation	205	60	96	88	416	66	2
Amortization of prior service cost	(197)	(77)	117	(62)	90	19	(245)
Amortization of loss	2,087	494	553	657	381	799	320
Net other postretirement benefit	$5,476	$3,678	$4,210	$1,629	$1,481	$1,437	$781

cost

2008	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
				(In Thousands)			
Service cost - benefits earned during the period	$1,706	$1,251	$1,099	$514	$295	$606	$513
Interest cost on APBO	3,443	1,917	2,187	1,141	953	1,440	531
Expected return on assets	(2,492)	-	-	(905)	(789)	(1,885)	(511)
Amortization of transition obligation	205	84	96	88	415	66	2
Amortization of prior service cost	(197)	146	117	(62)	90	72	(283)
Amortization of loss	1,440	494	677	534	291	357	177
Net other postretirement benefit cost	$4,105	$3,892	$4,176	$1,310	$1,255	$656	$429

Employer Contributions

Based on current assumptions, Entergy expects to contribute $140 million to its qualified pension plans in 2009. Guidance pursuant to the Pension Protection Act of 2006 rules, effective for the 2009 plan year and beyond, may affect the level of Entergy's pension contributions in the future. As of the end of April 2009, Entergy had contributed $72 million to its pension plans. Therefore, Entergy presently anticipates contributing an additional $68 million to fund its qualified pension plans in 2009.

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Based on current assumptions, the Registrant Subsidiaries expect to contribute the following to qualified pension plans in 2009:

	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
				(In Thousands)			
Expected 2009 pension contributions disclosed in Form 10-K	$28,627	$4,728	$11,112	$6,902	$1,739	$4,118	$5,845
Pension contributions made through April 2009	$9,909	$1,433	$2,176	$2,220	$105	$1,480	$2,180
Remaining estimated pension contributions to be made in 2009	$18,718	$3,295	$8,936	$4,682	$1,634	$2,638	$3,665

<u>Medicare Prescription Drug, Improvement and Modernization Act of 2003 (Medicare Act)</u>

Based on actuarial analysis, the estimated impact of future Medicare subsidies reduced the December 31, 2008 Accumulated Postretirement Benefit Obligation (APBO) by $187 million, and reduced the first quarter 2009 and 2008 other postretirement benefit cost by $6.0 million and $6.2 million, respectively. In the first quarter 2009, Entergy received $1.0 million in Medicare subsidies for prescription drug claims.

Based on actuarial analysis, the estimated impact of future Medicare subsidies reduced the December 31, 2008 APBO and the first quarters 2009 and 2008 other postretirement benefit cost for the Registrant Subsidiaries as follows:

	Entergy Arkansas	Entergy Gulf States Louisiana	Entergy Louisiana	Entergy Mississippi	Entergy New Orleans	Entergy Texas	System Energy
				(In Thousands)			
Reduction in 12/31/2008 APBO	($40,610)	($19,650)	($22,222)	($13,280)	($9,135)	($14,961)	($6,628)
Reduction in first quarter 2009 other postretirement benefit cost	($1,235)	($814)	($695)	($391)	($261)	($240)	($231)
Reduction in first quarter 2008 other postretirement benefit cost	($1,266)	($876)	($706)	($406)	($279)	($263)	($236)

Medicare subsidies received in the first quarter 2009	$226	$144	$149	$73	$86	$91	$23

For further information on the Medicare Act refer to Note 11 to the financial statements in the Form 10-K.

NOTE 7. BUSINESS SEGMENT INFORMATION

Entergy Corporation

Entergy's reportable segments as of March 31, 2009 are Utility and Non-Utility Nuclear. Utility generates, transmits, distributes, and sells electric power in portions of Arkansas, Louisiana, Mississippi, and Texas, and provides natural gas utility service in portions of Louisiana. Non-Utility Nuclear owns and operates six nuclear power plants and is primarily focused on selling electric power produced by those plants to wholesale customers. "All Other" includes the parent company, Entergy Corporation, and other business activity, including the non-nuclear wholesale assets business, and earnings on the proceeds of sales of previously-owned businesses.

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Entergy's segment financial information for the first quarters of 2009 and 2008 is as follows:

	Utility	Non-Utility Nuclear*	All Other* (In Thousands)	Eliminations	Consolidated
2009					
Operating revenues	$2,102,206	$656,187	$37,742	($7,023)	$2,789,112
Equity in loss of unconsolidated equity affiliates	$-	$-	($3,127)	$-	($3,127)
Income taxes (benefit)	$73,464	$102,077	($12,495)	$-	$163,046
Net income (loss)	$115,968	$180,882	($38,158)	($18,359)	$240,333
Total assets	$28,658,115	$8,136,681	$2,175,033	($2,357,242)	$36,612,587
2008					
Operating revenues	$2,136,330	$680,484	$54,800	($6,880)	$2,864,734
Equity in loss of unconsolidated equity affiliates	$-	$-	($929)	$-	($929)
Income taxes (benefit)	$84,243	$124,973	($16,213)	$-	$193,003
Net income (loss)	$121,480	$221,697	($29,430)	$-	$313,747
Total assets	$26,101,880	$7,175,012	$1,938,323	($1,450,448)	$33,764,767

Businesses marked with * are sometimes referred to as the "competitive businesses," with the exception of the parent company, Entergy Corporation. Eliminations are primarily intersegment activity. Almost all of Entergy's goodwill is related to the Utility segment.

Registrant Subsidiaries

The Registrant Subsidiaries have one reportable segment, which is an integrated utility business, except for System Energy, which is an electricity generation business. The Registrant Subsidiaries' operations are managed on an integrated basis because of the substantial effect of cost-based rates and regulatory oversight on the business process, cost structures, and operating results.

NOTE 8. RISK MANAGEMENT AND FAIR VALUES

Market and Commodity Risks

In the normal course of business, Entergy is exposed to a number of market and commodity risks. Market risk is the potential loss that Entergy may incur as a result of changes in the market or fair value of a particular instrument or commodity. All financial and commodity-related instruments, including derivatives, are subject to market risk. Entergy is subject to a number of commodity and market risks, including:

Type of Risk	Affected Businesses
Power price risk	Utility, Non-Utility Nuclear, Non-nuclear wholesale assets
Fuel price risk	Utility, Non-Utility Nuclear, Non-nuclear wholesale assets
Foreign currency exchange rate risk	Utility, Non-Utility Nuclear, Non-nuclear wholesale assets
Equity price and interest rate risk - investments	Utility, Non-Utility Nuclear

Entergy manages these risks through both contractual arrangements and

derivatives. Contractual risk management tools include long-term power purchase and sales agreements and fuel purchase agreements, capacity contracts, and tolling agreements. Commodity and financial

derivative risk management tools can include natural gas and electricity futures, forwards, swaps, and options; foreign currency forwards; and interest rate swaps. Entergy enters into derivatives only to manage natural risks inherent in its physical or financial assets or liabilities.

Entergy manages fuel price risk for its Louisiana jurisdictions (Entergy Gulf States Louisiana, Entergy Louisiana, and Entergy New Orleans) and Entergy Mississippi primarily through the purchase of short-term swaps. These swaps are marked-to-market with offsetting regulatory assets or liabilities. The notional volumes of these swaps are based on a portion of projected annual purchases of gas for electric generation and projected winter purchases for gas distribution at Entergy Gulf States Louisiana and Entergy New Orleans.

Entergy's exposure to market risk is determined by a number of factors, including the size, term, composition, and diversification of positions held, as well as market volatility and liquidity. For instruments such as options, the time period during which the option may be exercised and the relationship between the current market price of the underlying instrument and the option's contractual strike or exercise price also affects the level of market risk. A significant factor influencing the overall level of market risk to which Entergy is exposed is its use of hedging techniques to mitigate such risk. Entergy manages market risk by actively monitoring compliance with stated risk management policies as well as monitoring the effectiveness of its hedging policies and strategies. Entergy's risk management policies limit the amount of total net exposure and rolling net exposure during the stated periods. These policies, including related risk limits, are regularly assessed to ensure their appropriateness given Entergy's objectives.

Hedging Derivatives

Effective January 1, 2009, Entergy adopted Statement of Financial Accounting Standards No. 161 "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" (SFAS 161), which requires enhanced disclosures about an entity's derivative and hedging activities. The fair values of Entergy's derivative instruments in the consolidated balance sheet as of March 31, 2009 are as follows:

Instrument	Balance Sheet Location	Fair Value	Business
Derivatives designated as hedging instruments under FASB 133			
Assets:			
Electricity futures, forwards, and swaps	Prepayments and other (current portion)	$213 million	Non-Utility Nuclear
Electricity futures, forwards, and swaps	Other deferred debits and other assets (non-current portion)	$138 million	Non-Utility Nuclear
Derivatives not designated as hedging instruments under FASB 133			
Liabilities:			
Natural gas futures	Other current liabilities	$91 million	Utility

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The effect of Entergy's derivative instruments designated as cash flow hedges on the consolidated statements of income for the three months ended March 31, 2009 is as follows:

Instrument	Amount of gain (loss) recognized in OCI (effective portion)	Statement of Income location	Amount of gain (loss) reclassified from accumulated OCI into income (effective portion)

Electricity futures, forwards, and swaps	$201 million	Competitive businesses operating revenues	$57 million

Based on market prices as of March 31, 2009, cash flow hedges relating to power sales totaled $351 million of gross gains, of which approximately $213 million are expected to be reclassified from accumulated other comprehensive income to operating revenues in the next twelve months. The actual amount reclassified from accumulated other comprehensive income, however, could vary due to future changes in market prices. Gains totaling approximately $57 million were realized during the first quarter of 2009 on the maturity of cash flow hedges. Unrealized gains or losses recorded in other comprehensive income result from hedging power output at the Non-Utility Nuclear power stations. The related gains or losses from hedging power are included in operating revenues when realized. The maximum length of time over which Entergy is currently hedging the variability in future cash flows for forecasted power transactions at March 31, 2009 is approximately four years. Planned generation sold forward from Non-Utility Nuclear power stations as of March 31, 2009 is 87% for the remaining three quarters of 2009 of which approximately one-third is sold under financial hedges and the remainder under normal purchase/sale contracts. The ineffective portion of the change in the value of Entergy's cash flow hedges during the past three years was insignificant.

Natural gas futures are used to manage fuel price risk for the Utility's Louisiana and Mississippi customers. All benefits or costs of the program are recorded in fuel costs. The effect of Entergy's derivative instruments not designated as hedging instruments on the consolidated statements of income for the three months ended March 31, 2009 is as follows:

Instrument	Statement of Income Location	Amount of gain (loss) recorded in income
Natural gas futures	Fuel, fuel-related expenses, and gas purchased for resale	($24) million

Due to regulatory treatment, the natural gas futures are marked to market through fuel, fuel-related expenses, and gas purchased for resale and then such amounts are simultaneously reversed and recorded as offsetting regulatory assets or liabilities.

The fair values of the Registrant Subsidiaries' derivative instruments in their balance sheets as of March 31, 2009 are as follows:

Instrument	Balance Sheet Location	Fair Value	Registrant
Derivatives not designated as hedging instruments under FASB 133			
Liabilities:			
Natural gas futures	Gas hedge contracts	$22.9 million	Entergy Gulf States Louisiana
Natural gas futures	Gas hedge contracts	$39.9 million	Entergy Louisiana
Natural gas futures	Gas hedge contracts	$27.0 million	Entergy Mississippi
Natural gas futures	Other current liabilities	$1.3 million	Entergy New Orleans

The effects of the Registrant Subsidiaries' derivative instruments not designated as hedging instruments on their statements of income for the three months ended March 31, 2009 are as follows:

Instrument	Statement of Income Location	Amount of gain (loss) recorded in income	Registrant
Natural gas futures	Fuel, fuel-related expenses, and gas purchased for resale	($2.7) million	Entergy Gulf States Louisiana
Natural gas futures	Fuel, fuel-related expenses, and gas purchased for resale	($13.2) million	Entergy Louisiana
Natural gas futures	Fuel, fuel-related expenses, and gas purchased for resale	($11.4) million	Entergy Mississippi
Natural gas futures	Fuel, fuel-related expenses, and gas purchased for resale	$3.0 million	Entergy New Orleans

Fair Values

The estimated fair values of Entergy's financial instruments and derivatives are determined using bid prices and market quotes. Considerable judgment is required in developing the estimates of fair value. Therefore, estimates are not necessarily indicative of the amounts that Entergy could realize in a current market exchange. Gains or losses realized on financial instruments held by regulated businesses may be reflected in future rates and therefore do not accrue to the benefit or detriment of shareholders. Entergy considers the carrying amounts of most financial instruments classified as current assets and liabilities to be a reasonable estimate of their fair value because of the short maturity of these instruments. Effective January 1, 2008, Entergy and the Registrant Subsidiaries adopted Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" (SFAS 157), which defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. SFAS 157 generally does not require any new fair value measurements. However, in some cases, the application of SFAS 157 in the future may change Entergy's and the Registrant Subsidiaries' practice for measuring and disclosing fair values under other accounting pronouncements that require or permit fair value measurements.

SFAS 157 defines fair value as an exit price, or the price that would be received to sell an asset or the amount that would be paid to transfer a liability in an orderly transaction between knowledgeable market participants at date of measurement. Entergy and the Registrant Subsidiaries use assumptions or market input data that market participants would use in pricing assets or liabilities at fair value. The inputs can be readily observable, corroborated by market data, or generally unobservable. Entergy and the Registrant Subsidiaries endeavor to use the best available information to determine fair value.

SFAS 157 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy establishes the highest priority for unadjusted market quotes in an active market for the identical asset or liability and the lowest priority for unobservable inputs. The three levels of fair value hierarchy defined in SFAS 157 are as follows:

- Level 1 - Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Level 1 primarily consists of individually owned common stocks, cash equivalents, debt instruments, and gas hedge contracts.

  - ♦ Level 2 - Level 2 inputs are inputs other than quoted prices included in Level 1 that are, either directly or indirectly, observable for the asset or liability at the measurement date. Level 2 inputs include the following:

    - · quoted prices for similar assets or liabilities in active markets;
    - · quoted prices for identical assets or liabilities in inactive markets;
    - · inputs other than quoted prices that are observable for the asset or liability; or
    - · inputs that are derived principally from or corroborated by observable market data by correlation or other means.

    Level 2 consists primarily of individually owned debt instruments or shares in common trusts.

- Level 3 - Level 3 inputs are pricing inputs that are generally less observable or unobservable from objective sources. These inputs are used with internally developed methodologies to produce management's best estimate of fair value for the asset or liability. Level 3 consists primarily of derivative power contracts used as cash flow hedges of power sales at merchant power plants.

The values for the cash flow hedges that are recorded as derivative contract assets or liabilities are based on both observable inputs including public market prices and unobservable inputs such as model-generated prices for longer-term markets and are classified as Level 3 assets and liabilities. The amounts reflected as the fair value of derivative assets or liabilities are based on the estimated amount that the contracts are in-the-money at the balance sheet date (treated as an asset) or out-of-the-money at the balance sheet date (treated as a liability) and would equal the estimated amount receivable or payable by Entergy if the contracts were settled at that date. These derivative contracts include cash flow hedges that swap fixed for floating cash flows for sales of the output from Entergy's Non-Utility Nuclear business. The fair values are based on the mark-to-market comparison between the fixed contract prices and the floating prices determined each period from a combination of quoted forward power market prices for the period for which such curves are available, and model-generated prices using quoted forward gas market curves and estimates regarding heat rates to convert gas to power and the costs associated with the transportation of the power from the plants' bus bar to the contract's point of delivery, generally a power market hub, for the period thereafter. The difference between the fixed price in the swap contract and these market-related prices multiplied by the volume specified in the contract and discounted at the counterparties' credit adjusted risk free rate are recorded as derivative contract assets or liabilities. All of the $351 million net assets at March 31, 2009 are in-the-money contracts with counterparties who are all currently investment grade.

Effective January 1, 2009, Entergy adopted FSP No. FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" (FSP 157-4), which provides additional guidance for estimating fair value in accordance with SFAS 157 when the volume and level of activity for the asset and liability have significantly decreased and includes guidance on identifying circumstances that indicate a transaction is not orderly. The adoption of FSP 157-4 had no impact on net income or total equity.

The following table sets forth, by level within the fair value hierarchy established by SFAS 157, Entergy's assets and liabilities that are accounted for at fair value on a recurring basis as of March 31, 2009. The assessment of the significance of a particular input to a fair value measurement requires judgment and may affect their placement within the fair value hierarchy levels.

	Level 1	Level 2	Level 3	Total
		(In Millions)		
Assets:				
Temporary cash investments	$1,709	$-	$-	$1,709
Decommissioning trust funds:				
Equity securities	181	1,146	-	1,327
Debt securities	314	1,078	-	1,392
Power contracts	-	-	351	351
Securitization recovery trust account	20	-	-	20
Other investments	37	-	-	37
	$2,261	$2,224	$351	$4,836
Liabilities:				
Gas hedge contracts	$91	$-	$-	$91

The following table sets forth a reconciliation of changes in the assets (liabilities) for the fair value of derivatives classified as Level 3 in the SFAS 157 fair value hierarchy:

	2009	2008
	(In Millions)	
Balance as of January 1	$207	($12)
Price changes (unrealized gains/losses)	201	(196)
Originated	-	(74)
Settlements	(57)	(6)

Balance as of March 31	$351	($288)

The following table sets forth, by level within the fair value hierarchy established by SFAS 157, the Registrant Subsidaries' assets that are accounted for at fair value on a recurring basis as of March 31, 2009. The assessment of the significance of a particular input to a fair value measurement requires judgment and may affect its placement within the fair value hierarchy levels.

	Level 1	Level 2	Level 3	Total
		(In Millions)		
Entergy Arkansas:				
Assets:				
Temporary cash investments	$92.2	$-	$-	$92.2
Decommissioning trust funds:				
Equity securities	4.7	138.5	-	143.2
Debt securities	11.8	218.2	-	230.0
	$108.7	$356.7	$-	$465.4

	Level 1	Level 2	Level 3	Total
Entergy Gulf States Louisiana:				
Assets:				
Temporary cash investments	$32.9	$-	$-	$32.9
Decommissioning trust funds:				
Equity securities	4.9	112.6	-	117.5
Debt securities	19.0	156.4	-	175.4
	$56.8	$269.0	$-	$325.8
Liabilities:				
Gas hedge contracts	$22.9	$-	$-	$22.9
Entergy Louisiana:				
Assets:				
Temporary cash investments	$72.8	$-	$-	$72.8
Decommissioning trust funds:				
Equity securities	7.9	75.8	-	83.7
Debt securities	43.3	45.4	-	88.7

Other investments	0.8	-	-	0.8
	$124.8	$121.2	$-	$246.0
Liabilities:				
Gas hedge contracts	$39.9	$-	$-	$39.9
Entergy Mississippi:				
Assets:				
Other investments	$31.8	$-	$-	$31.8
Liabilities:				
Gas hedge contracts	$27.0	$-	$-	$27.0
Entergy New Orleans:				
Assets:				
Temporary cash investments	$119.4	$-	$-	$119.4
Other investments	4.6	-	-	4.6
	$124.0	$-	$-	$124.0
Liabilities:				
Gas hedge contracts	$1.3	$-	$-	$1.3
Entergy Texas:				
Assets:				
Securitization recovery trust account	$19.9	$-	$-	$19.9
System Energy:				
Assets:				
Temporary cash investments	$78.5	$-	$-	$78.5
Decommissioning trust funds:				
Equity securities	14.0	107.5	-	121.5
Debt securities	62.4	72.1	-	134.5
	$154.9	$179.6	$-	$334.5

NOTE 9. DECOMMISSIONING TRUST FUNDS (Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, and System Energy)

Entergy holds debt and equity securities, classified as available-for-sale, in nuclear decommissioning trust accounts. The NRC requires Entergy to maintain trusts to fund the costs of decommissioning ANO 1, ANO 2, River Bend, Waterford 3, Grand Gulf, Pilgrim, Indian Point 1 and 2, Vermont Yankee, and Palisades (NYPA currently retains the decommissioning trusts and liabilities for Indian Point 3 and FitzPatrick). The funds are invested primarily in equity securities; fixed-rate, fixed-income securities; and cash and cash equivalents.

Entergy applies the provisions of SFAS 115, "Accounting for Investments for Certain Debt and Equity Securities," in accounting for investments in decommissioning trust funds. As a result, Entergy records the decommissioning trust funds on the balance sheet at their fair value. Because of the ability of the Registrant Subsidiaries to recover decommissioning costs in rates and in accordance with the regulatory treatment for decommissioning trust funds, the Registrant Subsidiaries have recorded an offsetting amount of unrealized gains/(losses) on investment securities in other regulatory liabilities/assets. For the nonregulated portion of River Bend, Entergy Gulf States Louisiana has recorded an offsetting amount of unrealized gains/(losses) in other deferred credits/debits. Decommissioning trust funds for Pilgrim, Indian Point 2, Vermont Yankee, and Palisades do not receive regulatory treatment. Accordingly, unrealized gains recorded on the assets in these trust funds are recognized in the accumulated other comprehensive income component of common shareholders' equity because these assets are classified as available for sale. Unrealized losses (where cost exceeds fair market value) on the assets in these trust funds are also recorded in the accumulated other comprehensive income component of common shareholders' equity unless the unrealized loss is other-than-temporary and therefore recorded in earnings. Entergy records realized gains and losses on its debt and equity securities generally using the specific identification method to determine the cost basis of its securities.

The securities held at March 31, 2009 and December 31, 2008 are summarized as follows:

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
		(In Millions)	
2009			
Equity Securities	$1,327	$55	$232
Debt Securities	1,392	50	28
Total	$2,719	$105	$260
2008			
Equity Securities	$1,436	$85	$177
Debt Securities	1,396	77	21
Total	$2,832	$162	$198

The amortized cost of debt securities was $1,370 million and $1,340 million at March 31, 2009 and December 31, 2008, respectively. The debt securities have an average coupon rate of approximately 4.94%, an average duration of approximately 5.22 years, and an average maturity of approximately 8.9 years. The equity securities are generally held in funds that are designed to approximate or somewhat exceed the return of the Standard & Poor's 500 Index. A relatively small percentage of the securities are held in funds intended to replicate the return of the Wilshire 4500 Index or the Russell 3000 Index.

The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows at March 31, 2009:

	Equity Securities		Debt Securities	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	$981	$212	$255	$22
More than 12 months	24	20	41	6
Total	$1,005	$232	$296	$28

The unrealized losses in excess of twelve months above relate to Entergy's Utility operating companies and System Energy.

The fair value of debt securities, summarized by contractual maturities, at March 31, 2009 and December 31, 2008 are as follows:

	2009	2008
	(In Millions)	
less than 1 year	$20	$21
1 year - 5 years	552	526
5 years - 10 years	461	490
10 years - 15 years	129	146
15 years - 20 years	50	52
20 years+	180	161
Total	$1,392	$1,396

During the three months ended March 31, 2009 and 2008, proceeds from the dispositions of securities amounted to $583 million and $257 million, respectively. During the three months ended March 31, 2009 and 2008, gross gains of $14 million and $6 million, respectively, and gross losses of $16 million and $2 million, respectively, were either reclassified out of other comprehensive income into earnings or recorded into earnings.

Entergy Arkansas

Entergy Arkansas holds debt and equity securities, classified as available-for-sale, in nuclear decommissioning trust accounts. The securities held at March 31, 2009 and December 31, 2008 are summarized as follows:

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
		(In Millions)	
2009			
Equity Securities	$143.2	$19.2	$19.9
Debt Securities	230.0	12.6	3.8

Total	$373.2	$31.8	$23.7
2008			
Equity Securities	$165.6	$31.7	$13.7
Debt Securities	224.9	12.8	2.4
Total	$390.5	$44.5	$16.1

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The amortized cost of debt securities was $221.2 million and $214.5 million as of March 31, 2009 and December 31, 2008, respectively. The debt securities have an average coupon rate of approximately 4.79%, an average duration of approximately 4.66 years, and an average maturity of approximately 5.6 years. The equity securities are generally held in funds that are designed to approximate the return of the Standard & Poor's 500 Index. A relatively small percentage of the securities are held in funds intended to replicate the return of the Wilshire 4500 Index.

The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows at March 31, 2009:

	Equity Securities		Debt Securities	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	$54.5	$18.4	$32.9	$2.6
More than 12 months	2.0	1.5	10.9	1.2
Total	$56.5	$19.9	$43.8	$3.8

The fair value of debt securities, summarized by contractual maturities, at March 31, 2009 and December 31, 2008 are as follows:

	2009	2008
	(In Millions)	
less than 1 year	$5.2	$2.0
1 year - 5 years	124.6	127.0
5 years - 10 years	96.5	93.9
10 years - 15 years	2.5	2.0
15 years - 20 years	-	-
20 years+	1.2	-
Total	$230.0	$224.9

During the three months ended March 31, 2009 and 2008, proceeds from the dispositions of securities amounted to $29.8 million and $23.4 million, respectively. During the three months ended March 31, 2009 and 2008, gross gains of $0.1 million and $0.3 million, respectively, and gross losses of $0.8 million and $0.3 million, respectively, were recorded in earnings.

Entergy Gulf States Louisiana

Entergy Gulf States Louisiana holds debt and equity securities, classified as available-for-sale, in nuclear decommissioning trust accounts. The securities held at March 31, 2009 and December 31, 2008 are summarized as follows:

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
		(In Millions)	
2009			
Equity Securities	$117.5	$2.6	$37.3
Debt Securities	175.4	9.3	3.1
Total	$292.9	$11.9	$40.4
2008			
Equity Securities	$132.3	$4.6	$24.5
Debt Securities	170.9	8.7	3.3
Total	$303.2	$13.3	$27.8

The amortized cost of debt securities was $169.2 million and $165.5 million as of March 31, 2009 and December 31, 2008, respectively. The debt securities have an average coupon rate of approximately 4.95%, an average duration of approximately 6.18 years, and an average maturity of approximately 9.4 years. The equity securities are generally held in funds that are designed to approximate the return of the Standard & Poor's 500 Index. A relatively small percentage of the securities are held in funds intended to replicate the return of the Wilshire 4500 Index.

The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows at March 31, 2009:

	Equity Securities		Debt Securities	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
		(In Millions)		
Less than 12 months	$94.4	$33.6	$23.8	$1.1
More than 12 months	4.5	3.7	14.9	2.0
Total	$98.9	$37.3	$38.7	$3.1

The fair value of debt securities, summarized by contractual maturities, at March 31, 2009 and December 31, 2008 are as follows:

	2009	2008
	(In Millions)	

less than 1 year	$5.2	$6.5
1 year - 5 years	37.1	36.5
5 years - 10 years	73.1	75.7
10 years - 15 years	41.6	36.0
15 years - 20 years	9.9	8.7
20 years+	8.5	7.5
Total	$175.4	$170.9

During the three months ended March 31, 2009 and 2008, proceeds from the dispositions of securities amounted to $23.8 million and $11.0 million, respectively. During the three months ended March 31, 2009 and 2008, gross gains of $0.8 million and $0.2 million, respectively, and gross losses of $0.1 million and $0.01 million, respectively, were recorded in earnings.

Entergy Louisiana

Entergy Louisiana holds debt and equity securities, classified as available-for-sale, in nuclear decommissioning trust accounts. The securities held at March 31, 2009 and December 31, 2008 are summarized as follows:

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
		(In Millions)	
2009			
Equity Securities	$83.7	$1.5	$24.5
Debt Securities	88.7	6.0	1.7
Total	$172.4	$7.5	$26.2
2008			
Equity Securities	$93.3	$3.9	$17.2
Debt Securities	87.6	7.1	1.6
Total	$180.9	$11.0	$18.8

The amortized cost of debt securities was $84.4 million and $82.1 million as of March 31, 2009 and December 31, 2008, respectively. The debt securities have an average coupon rate of approximately 4.61%, an average duration of approximately 4.44 years, and an average maturity of approximately 9.7 years. The equity securities are generally held in funds that are designed to approximate the return of the Standard & Poor's 500 Index. A relatively small percentage of the securities are held in funds intended to replicate the return of the Wilshire 4500 Index.

The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows at March 31, 2009:

Equity Securities		Debt Securities	
Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses

	(In Millions)			
Less than 12 months	$52.9	$19.4	$11.1	$0.8
More than 12 months	6.2	5.1	4.4	0.9
Total	$59.1	$24.5	$15.5	$1.7

The fair value of debt securities, summarized by contractual maturities, at March 31, 2009 and December 31, 2008 are as follows:

	2009	2008
	(In Millions)	
less than 1 year	$1.6	$1.2
1 year - 5 years	33.5	33.4
5 years - 10 years	22.2	21.4
10 years - 15 years	12.0	10.5
15 years - 20 years	5.5	6.8
20 years+	13.9	14.3
Total	$88.7	$87.6

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During the three months ended March 31, 2009 and 2008, proceeds from the dispositions of securities amounted to $10.2 million and $5.0 million, respectively. During the three months ended March 31, 2009 and 2008, gross gains of $0.4 million and $0.01 million, respectively, and gross losses of $0.1 million and $0.02 million, respectively, were recorded in earnings.

System Energy

System Energy holds debt and equity securities, classified as available-for-sale, in nuclear decommissioning trust accounts. The securities held at March 31, 2009 and December 31, 2008 are summarized as follows:

	Fair Value	Total Unrealized Gains	Total Unrealized Losses
		(In Millions)	
2009			
Equity Securities	$121.5	$0.4	$13.5
Debt Securities	134.5	2.5	4.9
Total	$256.0	$2.9	$18.4
2008			
Equity Securities	$127.8	$2.0	$36.3
Debt Securities	141.0	6.9	3.9
Total	$268.8	$8.9	$40.2

The amortized cost of debt securities was $136.9 million and $138.0 million as of March 31, 2009 and December 31, 2008, respectively. The debt securities have an average coupon rate of approximately 4.39%, an average duration of approximately 5.70 years, and an average maturity of approximately 11.6 years. The equity securities are generally held in funds that are designed to approximate the return of the Standard & Poor's 500 Index. A relatively small percentage of the securities are held in funds intended to replicate the return of the Wilshire 4500 Index.

The fair value and gross unrealized losses of available-for-sale equity and debt securities, summarized by investment type and length of time that the securities have been in a continuous loss position, are as follows at March 31, 2009:

	Equity Securities		Debt Securities	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
	(In Millions)			
Less than 12 months	$100.3	$4.0	$26.3	$2.6
More than 12 months	11.6	9.5	10.9	2.3
Total	$111.9	$13.5	$37.2	$4.9

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The fair value of debt securities, summarized by contractual maturities, at March 31, 2009 and December 31, 2008 are as follows:

	2009	2008
	(In Millions)	
less than 1 year	$2.3	$2.0
1 year - 5 years	58.5	48.0
5 years - 10 years	31.8	44.0
10 years - 15 years	.5	10.0
15 years - 20 years	1.0	1.2
20 years+	40.4	35.8
Total	$134.5	$141.0

During the three months ended March 31, 2009 and 2008, proceeds from the dispositions of securities amounted to $151.9 million and $35.0 million, respectively. During the three months ended March 31, 2009 and 2008, gross gains of $3.0 million and $0.8 million, respectively, and gross losses of $2.4 million and $0.6 million, respectively, were recorded in earnings.

Other-than-temporary impairments and unrealized gains and losses

Entergy, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, and System Energy evaluate these unrealized losses at the end of each period to determine whether an other than temporary impairment has occurred. Effective January 1, 2009, Entergy adopted FSP FAS 115-2, "Recognition and Presentation of Other-Than-Temporary Impairments". The assessment of whether an investment in a debt security has suffered an other-than-temporary impairment is based on whether Entergy has the intent to sell or more likely than not will be required to sell the debt security before recovery of its amortized costs. Further, if Entergy does not expect to recover the entire amortized cost basis of the debt security, an other-than-temporary-impairment shall have been considered to have occurred and it is measured by the present value of cash flows expected to be collected less the amortized cost basis (credit loss). For debt securities held as of January 1, 2009 for which an other-than-temporary impairment had previously been recognized but for which assessment under the new guidance indicates this impairment is temporary, Entergy recorded an adjustment to its opening balance of retained earnings of $11.3 million ($6.4 million net-of-tax). Entergy did not have any material other than temporary impairments relating to credit losses on debt securities for the three months ended March 31, 2009. The assessment of whether an investment in an equity security has suffered an other than temporary impairment continues to be based on a number of factors including, first, whether Entergy has the ability and intent to hold the investment to recover its value, the duration and severity of any losses, and, then, whether it is expected that the investment will recover its value within a reasonable period of time. Entergy's trusts are managed by third parties who operate in accordance with agreements that define investment guidelines and place restrictions on the purchases and sales of investments. Non-Utility Nuclear recorded charges to interest income of $16 million in the three months ended March 31, 2009, resulting from the recognition of the other than temporary impairment of certain equity securities held in its decommissioning trust funds.

NOTE 10. INCOME TAXES

Income Tax Audits and Litigation

See Note 3 to the financial statements in the Form 10-K for a discussion of tax proceedings.

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NOTE 11. NEW ACCOUNTING PRONOUNCEMENTS

In December 2008 the FASB issued FSP FAS 132(R)-1 "Employers' Disclosures about Postretirement Benefit Plan Assets" (FSP 132(R)-1) which requires enhanced disclosures about plan assets of defined benefit pension and other postretirement plans including disclosure of each major category of plan assets using the fair value hierarchy and concentrations of risk within plan assets. FSP 132(R)-1 is effective for fiscal years ending after December 15, 2009.

In April 2009 the FASB issued FSP FAS 107-1 and APB 28-1 "Interim Disclosures about Fair Value of Financial Instruments" (FSP 107-1 and APB 28-1). FSP 107-1 and APB 28-1 relates to fair value disclosures for all financial instruments not measured on the balance sheet at fair value, and requires these disclosures on a quarterly basis. FSP 107-1 and APB 28-1 is effective for interim reporting periods ending after June 15, 2009.

In the opinion of the management of Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas and System Energy, the accompanying unaudited financial statements contain all adjustments (consisting primarily of normal recurring accruals and reclassification of previously reported amounts to conform to current classifications) necessary for a fair statement of the results for the interim periods presented. The business of the Registrant Subsidiaries is subject to seasonal fluctuations, however, with the peak periods occurring during the third quarter. The results for the interim periods presented should not be used as a basis for estimating results of operations for a full year.

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Part I, Item 4. Controls and Procedures

Disclosure Controls and Procedures

As of March 31, 2009, evaluations were performed under the supervision and with the participation of Entergy Corporation, Entergy Arkansas, Entergy Gulf States Louisiana, Entergy Louisiana, Entergy Mississippi, Entergy New Orleans, Entergy Texas, and System Energy (individually "Registrant" and collectively the "Registrants") management, including their respective Chief Executive Officers (CEO) and Chief Financial Officers (CFO). The evaluations assessed the effectiveness of the Registrants' disclosure controls and procedures. Based on the evaluations, each CEO and CFO has concluded that, as to the Registrant or Registrants for which they serve as CEO or CFO, the Registrant's or Registrants' disclosure controls and procedures are effective to ensure that information required to be disclosed by each Registrant in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms; and that the Registrant's or Registrants' disclosure controls and procedures are also effective in reasonably assuring that such information is accumulated and communicated to the Registrant's or Registrants' management, including their respective CEOs and CFOs, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Controls over Financial Reporting

Under the supervision and with the participation of the Registrants' management, including their respective CEOs and CFOs, the Registrants evaluated changes in internal control over financial reporting that occurred during the quarter ended March 31, 2009 and found no change that has materially affected, or is reasonably likely to materially affect, internal control over financial reporting.

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ENTERGY ARKANSAS, INC.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Results of Operations

Net Income

Net income decreased $6.6 million for the first quarter 2009 compared to the first quarter 2008 primarily due to higher taxes other than income taxes, higher depreciation and amortization expenses, and a higher effective income tax rate, partially offset by higher net revenue.

Net Revenue

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory charges (credits). Following is an analysis of the change in net revenue comparing the first quarter 2009 to the first quarter 2008.

	Amount (In Millions)
2008 net revenue	$248.2
Storm cost recovery	4.4
Retail electric price	4.0
Purchased power capacity	3.7
Volume/weather	(5.6)
Other	5.1
2009 net revenue	$259.8

The storm cost recovery variance is due to the recovery of 2008 extraordinary storm costs as approved by the APSC, effective January 2009. The recovery of 2008 extraordinary storm costs is discussed in Note 2 to the financial statements in the Form 10-K.

The retail electric price variance is primarily due to the capacity acquisition rider which became effective in February 2008.

The purchased power capacity variance is primarily due to lower purchased power capacity charges.

The volume/weather variance is primarily due to a 12.5% volume decrease in industrial sales primarily in the wood industry and the small customer class.

<u>Gross operating revenues and fuel and purchased power expenses</u>

Gross operating revenues increased primarily due to an increase of $61.1 million in fuel cost recovery revenues due to changes in the energy cost recovery rider effective April 2008 and September 2008, partially offset by a decrease of $25.1 million in gross wholesale revenue due to a decrease in the average price of energy available for resale sales. The energy cost recovery rider filings are discussed in Note 2 to the financial statements in the Form 10-K.

Fuel and purchased power expenses increased primarily due to an increase in deferred fuel expense due to a higher energy cost recovery rate, as discussed above and an increase in the average market price of natural gas. The increase was partially offset by a decrease in the average market price of purchased power.

Other Income Statement Variances

Taxes other than income taxes increased primarily due to a $3.5 million decrease recorded in the first quarter 2008 resulting from the favorable resolution of issues relating to the tax exempt status of bonds.

Depreciation and amortization expenses increased primarily due to an increase in plant in service.

Income Taxes

The effective income tax rates for the first quarters of 2009 and 2008 were 51.8% and 41.7%, respectively. The difference in the effective income tax rate for the first quarter 2009 versus the federal statutory rate of 35.0% is primarily due to certain book and tax differences related to utility plant items. The difference in the effective income tax rate for the first quarter 2008 versus the federal statutory rate of 35.0% is primarily due to certain book and tax differences related to utility plant items and an adjustment of the federal tax reserve for prior tax years, partially offset by flow-through book and tax timing differences.

Liquidity and Capital Resources

Cash Flow

Cash flows for the first quarters of 2009 and 2008 were as follows:

	2009	2008
	(In Thousands)	
Cash and cash equivalents at beginning of period	$39,568	$212
Cash flow provided by (used in):		
Operating activities	186,834	103,754
Investing activities	(126,669)	(99,056)
Financing activities	(7,518)	5,129
Net increase in cash and cash equivalents	52,647	9,827
Cash and cash equivalents at end of period	$92,215	$10,039

Operating Activities

Cash flow from operations increased $83.1 million for the first quarter 2009 compared to the first quarter 2008 primarily due to an increase in recovery of fuel costs and higher income tax refunds in 2009.

Investing Activities

Net cash flow used in investing activities increased $27.6 million for the first quarter 2009 compared to the first quarter 2008 primarily due to money pool activity and an increase in distribution construction expenditures in 2009 as a result of an ice storm hitting Entergy Arkansas' service territory in the first quarter of 2009. The increase was partially offset by a decrease in fossil construction expenditures resulting from a coal plant equipment purchase in 2008 and a decrease in nuclear construction expenditures resulting from various nuclear projects in 2008.

Increases in Entergy Arkansas' receivable from the money pool are a use of cash flow, and Entergy Arkansas' receivable from the money pool increased $43.2 million in the first quarter 2009. The money pool is an inter-company borrowing arrangement designed to reduce Entergy's subsidiaries' need for external short-term borrowings.

Financing Activities

Financing activities used $7.5 million of cash for the first quarter 2009 compared to providing $5.1 million of cash for the first quarter 2008 primarily due to money pool activity. Increases in Entergy Arkansas' payable to the money pool is a source of cash flow, and Entergy Arkansas' payable to the money pool increased by $13.6 million in the first quarter 2008.

Capital Structure

Entergy Arkansas' capitalization is balanced between equity and debt, as shown in the following table.

	March 31, 2009	December 31, 2008
Net debt to net capital	51.8%	52.9%
Effect of subtracting cash from debt	1.3%	0.6%
Debt to capital	53.1%	53.5%

Net debt consists of debt less cash and cash equivalents. Debt consists of notes payable, capital lease obligations, and long-term debt, including the currently maturing portion. Capital consists of debt, preferred stock without sinking fund, and shareholders' equity. Net capital consists of capital less cash and cash equivalents. Entergy Arkansas uses the net debt to net capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy Arkansas' financial condition.

Uses and Sources of Capital

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources**" in the Form 10-K for a discussion of Entergy Arkansas' uses and sources of capital. Following are updates to the information provided in the Form 10-K.

In April 2009, Entergy Arkansas renewed its credit facility through April 2010 in the amount of $88 million. There were no outstanding borrowings under the Entergy Arkansas credit facility as of March 31, 2009.

Entergy Arkansas' receivables from or (payables to) the money pool were as follows:

March 31, 2009	December 31, 2008	March 31, 2008	December 31, 2007
	(In Thousands)		
$59,218	$15,991	($91,448)	($77,882)

See Note 4 to the financial statements in the Form 10-K for a description of the money pool.

White Bluff Coal Plant Project

See the Form 10-K for a discussion of the environmental compliance project that will install scrubbers and low NOx burners at Entergy Arkansas' White Bluff coal plant. In March 2009, Entergy Arkansas made a filing with the APSC seeking a declaratory order that the project is in the public interest. The filing requests a procedural schedule providing for an APSC decision in September 2009. In May 2009 the APSC Staff filed a motion requesting that the APSC require Entergy Arkansas to file testimony on several issues and suggesting a procedural schedule that culminates in a February 2010 hearing date. The APSC has not set a procedural schedule at this time.

Pension Contributions

See the "**Critical Accounting Estimates - Qualified Pension and Other Postretirement Benefits -** Costs and Funding" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for an update to the Form 10-K discussion on pension contributions.

Ouachita Power Plant

In August 2008, the LPSC issued an order approving an uncontested settlement between Entergy Gulf States Louisiana and the LPSC Staff authorizing Entergy Gulf States Louisiana's purchase, under a life-of-unit agreement, of one-third of the capacity and energy from the 789 MW Ouachita power plant, which Entergy Arkansas acquired on September 30, 2008. The LPSC's approval was subject to certain conditions, including a study to determine the costs and benefits of Entergy Gulf States Louisiana exercising an option to purchase one-third of the plant (Unit 3) from Entergy Arkansas. In April 2009, Entergy Gulf States Louisiana made a filing with the LPSC seeking approval of Entergy Gulf States Louisiana exercising its option to convert its purchased power agreement into the ownership interest in Unit 3 and a one-third interest in the Ouachita common facilities. Entergy Gulf States Louisiana estimates that the purchase price will be approximately $72.6 million, subject to change based on several factors, including the timing of the closing. The filing also requests LPSC approval of the cost-recovery mechanism for the acquisition. In addition, in April 2009, Entergy Arkansas and Entergy Gulf States Louisiana filed with the FERC for its approval of the transaction. Both the LPSC filing and the FERC filing anticipate an August 31, 2009 closing date for the acquisition.

State and Local Rate Regulation

See

"**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - State and Local Rate Regulation**" in the Form 10-K for a discussion of state and local rate regulation. Following are updates to the information provided in the Form 10-K.

Retail Rates

See the Form 10-K for a discussion of the rate filing made by Entergy Arkansas and the proceedings regarding that filing. On April 23, 2009, the Arkansas Supreme Court denied Entergy Arkansas' petition for review of the Court of Appeals decision.

Energy Cost Recovery Rider

In March 2009, Entergy Arkansas filed with the APSC its annual energy cost rate for the period April 2009 through March 2010. The filed energy cost rate decreased from $0.02456/kWh to $0.01552/kWh. The decrease was caused by the following: 1) all three of the nuclear power plants from which Entergy Arkansas obtains power, ANO 1 and 2 and Grand Gulf, had refueling outages in 2008, and the previous energy cost rate had been adjusted to account for the replacement power costs that would be incurred while these units were down; 2) Entergy Arkansas has a deferred fuel cost liability from over-recovered fuel costs at December 31, 2008, as compared to a deferred fuel cost asset from under-recovered fuel costs at December 31, 2007; offset by 3) an increase in the fuel and purchased power prices included in the calculation.

Storm Cost Recovery

Entergy Arkansas Storm Reserve Accounting

The APSC's June 2007 order in Entergy Arkansas' base rate proceeding, which is discussed in the Form 10-K, eliminated storm reserve accounting for Entergy Arkansas. In March 2009 a law was enacted in Arkansas that requires the APSC to permit storm reserve accounting for utilities that request it. Entergy Arkansas filed its request with the APSC, and has reinstated storm reserve accounting effective January 1, 2009.

Entergy Arkansas January 2009 Ice Storm

In January 2009 a severe ice storm caused significant damage to Entergy Arkansas' transmission and distribution lines, equipment, poles, and other facilities. The current cost estimate for the damage caused by the ice storm is approximately $120 million to $140 million, of which approximately $65 million to $80 million is estimated to be operating and maintenance type costs and the remainder is estimated to be capital investment. On January 30, 2009, the APSC issued an order inviting and encouraging electric public utilities to file specific proposals for the recovery of extraordinary storm restoration expenses associated with the ice storm. Although Entergy Arkansas has not yet filed a proposal for the method of recovery of its costs, on February 16, 2009, it did file a request with the APSC for an accounting order authorizing deferral of the operating and maintenance cost portion of Entergy Arkansas' ice storm restoration costs pending their recovery. The APSC issued such an order in March 2009 subject to certain conditions, including that if Entergy Arkansas seeks to recover the deferred costs, those costs will be subject to investigation for whether they are incremental, prudent, and reasonable. Entergy Arkansas is still analyzing its options for the method of recovery of the ice storm restoration costs. One option is securitization, and in April 2009 a law was enacted in Arkansas that authorizes securitization of storm damage restoration costs.

Federal Regulation

See "System Agreement Proceedings" and "Independent Coordinator of Transmission" in the "**Rate, Cost-recovery, and Other Regulation**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for updates to the discussion in the Form 10-K.

Utility Restructuring

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Utility Restructuring**" in the Form 10-K for a discussion of utility restructuring.

Nuclear Matters

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Nuclear Matters**" in the Form 10-K for a discussion of nuclear matters.

Environmental Risks

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Environmental Risks**" in the Form 10-K for a discussion of environmental risks.

Critical Accounting Estimates

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates**" in the Form 10-K for a discussion of the estimates and judgments necessary in Entergy Arkansas' accounting for nuclear decommissioning costs, unbilled revenue, and qualified pension and other postretirement benefits.

Nuclear Decommissioning Costs

In the first quarter 2009, Entergy Arkansas recorded a revision to its estimated decommissioning cost liabilities for ANO 1 and 2 as a result of a revised decommissioning cost study. The revised estimates resulted in an $8.9 million reduction in its decommissioning liability, along with a corresponding reduction in the related regulatory asset.

Qualified Pension and Other Postretirement Benefits

See the "**Critical Accounting Estimates - Qualified Pension and Other Postretirement Benefits -** Costs and Funding" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for an update to the Form 10-K discussion on qualified pension and other postretirement benefits.

New Accounting Pronouncements

See "**New Accounting Pronouncements**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for a discussion of new accounting pronouncements.

ENTERGY ARKANSAS, INC.
INCOME STATEMENTS
For the Three Months Ended March 31, 2009 and 2008
(Unaudited)

	2009	2008
	(In Thousands)	
OPERATING REVENUES		
Electric	$535,994	$499,374
OPERATING EXPENSES		
Operation and Maintenance:		
Fuel, fuel-related expenses, and gas purchased for resale	185,156	83,562
Purchased power	94,327	166,524
Nuclear refueling outage expenses	9,494	6,931
Other operation and maintenance	107,426	107,123
Decommissioning	9,143	8,552
Taxes other than income taxes	21,367	15,739

Depreciation and amortization	62,361	57,237
Other regulatory charges (credits) - net	(3,335)	1,045
TOTAL	485,939	446,713
OPERATING INCOME	50,055	52,661
OTHER INCOME		
Allowance for equity funds used during construction	1,775	1,778
Interest and dividend income	3,224	5,257
Miscellaneous - net	(928)	(1,014)
TOTAL	4,071	6,021
INTEREST AND OTHER CHARGES		
Interest on long-term debt	21,212	18,628
Other interest - net	674	1,938
Allowance for borrowed funds used during construction	(1,103)	(850)
TOTAL	20,783	19,716
INCOME BEFORE INCOME TAXES	33,343	38,966
Income taxes	17,273	16,248
NET INCOME	16,070	22,718
Preferred dividend requirements and other	1,718	1,718
EARNINGS APPLICABLE TO COMMON STOCK	$14,352	$21,000

See Notes to Financial Statements.

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ENTERGY ARKANSAS, INC.
STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2009 and 2008
(Unaudited)

	2009	2008
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	$16,070	$22,718
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Reserve for regulatory adjustments	1,203	(3,010)
Other regulatory charges (credits) - net	(3,335)	1,045
Depreciation, amortization, and decommissioning	71,504	65,789
Deferred income taxes,investment tax credits, and non-current taxes accrued	38,870	21,837
Changes in working capital:		
Receivables	12,383	48,573
Fuel inventory	(16,087)	(7,339)
Accounts payable	(2,904)	(71,886)
Interest accrued	(2,413)	2,771
Deferred fuel costs	115,120	27,179
Other working capital accounts	14,784	(7,711)
Provision for estimated losses and reserves	(3,247)	285
Changes in other regulatory assets	(33,221)	8,132
Other	(21,893)	(4,629)
Net cash flow provided by operating activities	186,834	103,754
INVESTING ACTIVITIES		
Construction expenditures	(83,527)	(97,961)
Allowance for equity funds used during construction	1,775	1,778
Nuclear fuel purchases	-	(58,998)
Proceeds from sale/leaseback of nuclear fuel	-	60,184
Proceeds from nuclear decommissioning trust fund sales	29,779	23,449
Investment in nuclear decommissioning trust funds	(31,469)	(27,508)
Change in money pool receivable - net	(43,227)	-
Net cash flow used in investing activities	(126,669)	(99,056)
FINANCING ACTIVITIES		
Change in money pool payable - net	-	13,566
Dividends paid:		
Common stock	(5,800)	(5,000)

Preferred stock	(1,718)	(3,437)
Net cash flow provided by (used in) financing activities	(7,518)	5,129
Net increase in cash and cash equivalents	52,647	9,827
Cash and cash equivalents at beginning of period	39,568	212
Cash and cash equivalents at end of period	$92,215	$10,039
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid/(received) during the period for:		
Interest - net of amount capitalized	$23,197	$15,227
Income taxes	($24,911)	($3,554)

See Notes to Financial Statements.

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ENTERGY ARKANSAS, INC.
BALANCE SHEETS
ASSETS
March 31, 2009 and December 31, 2008
(Unaudited)

	2009	2008
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents		
Cash	$14	$3,292
Temporary cash investments	92,201	36,276
Total cash and cash investments	92,215	39,568
Accounts receivable:		
Customer	118,244	113,135
Allowance for doubtful accounts	(19,836)	(19,882)
Associated companies	102,356	56,534
Other	60,566	64,762
Accrued unbilled revenues	55,181	71,118
Total accounts receivable	316,511	285,667
Deferred fuel costs	3,941	119,061
Fuel inventory - at average cost	31,310	15,223
Materials and supplies - at average cost	127,684	121,769
Deferred nuclear refueling outage costs	34,372	42,932
System agreement cost equalization	394,000	394,000
Prepayments and other	24,477	36,530

TOTAL	1,024,510	1,054,750
OTHER PROPERTY AND INVESTMENTS		
Investment in affiliates - at equity	11,200	11,200
Decommissioning trust funds	373,191	390,529
Non-utility property - at cost (less accumulated depreciation)	1,438	1,439
Other	5,391	5,391
TOTAL	391,220	408,559
UTILITY PLANT		
Electric	7,562,621	7,305,165
Property under capital lease	1,405	1,417
Construction work in progress	156,349	142,391
Nuclear fuel under capital lease	109,041	125,072
Nuclear fuel	10,561	12,115
TOTAL UTILITY PLANT	7,839,977	7,586,160
Less - accumulated depreciation and amortization	3,521,474	3,272,280
UTILITY PLANT - NET	4,318,503	4,313,880
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
SFAS 109 regulatory asset - net	52,200	58,455
Other regulatory assets	733,100	688,964
Other	40,191	43,605
TOTAL	825,491	791,024
TOTAL ASSETS	$6,559,724	$6,568,213

See Notes to Financial Statements.

ENTERGY ARKANSAS, INC.
BALANCE SHEETS
LIABILITIES AND SHAREHOLDERS' EQUITY
March 31, 2009 and December 31, 2008
(Unaudited)

	2009	**2008**
	(In Thousands)	
CURRENT LIABILITIES		
Accounts payable:		
Associated companies	$421,737	$433,460
Other	151,072	142,974
Customer deposits	61,998	60,558
Accumulated deferred income taxes	172,522	198,902
Interest accrued	22,794	25,207
Obligations under capital leases	60,278	60,276
Other	15,936	17,290

TOTAL	906,337	938,667
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	1,365,277	1,307,596
Accumulated deferred investment tax credits	50,888	51,881
Obligations under capital leases	50,168	66,214
Other regulatory liabilities	8,113	27,141
Decommissioning	540,941	540,709
Accumulated provisions	12,678	15,925
Pension and other postretirement liabilities	440,482	441,920
Long-term debt	1,618,230	1,618,171
Other	41,849	43,780
TOTAL	4,128,626	4,113,337
Commitments and Contingencies		
Preferred stock without sinking fund	116,350	116,350
SHAREHOLDERS' EQUITY		
Common stock, $0.01 par value, authorized 325,000,000 shares; issued and outstanding 46,980,196 shares in 2009 and 2008	470	470
Paid-in capital	588,444	588,444
Retained earnings	819,497	810,945
TOTAL	1,408,411	1,399,859
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$6,559,724	$6,568,213

See Notes to Financial Statements.

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ENTERGY ARKANSAS, INC.
SELECTED OPERATING RESULTS
For the Three Months Ended March 31, 2009 and 2008
(Unaudited)

Description	**2009**	**2008**	**Increase/ (Decrease)**	**%**
	(Dollars In Millions)			
Electric Operating Revenues:				
Residential	$ 211	$ 179	$ 32	18
Commercial	114	94	20	21

Industrial	104	92	12	13
Governmental	4	4	-	-
Total retail	433	369	64	17
Sales for resale				
Associated companies	73	96	(23)	(24)
Non-associated companies	32	33	(1)	(3)
Other	(2)	1	(3)	(300)
Total	$ 536	$ 499	$ 37	7
Billed Electric Energy Sales (GWh):				
Residential	2,109	2,143	(34)	(2)
Commercial	1,352	1,347	5	-
Industrial	1,499	1,713	(214)	(12)
Governmental	64	65	(1)	(2)
Total retail	5,024	5,268	(244)	(5)
Sales for resale				
Associated companies	1,870	1,954	(84)	(4)
Non-associated companies	563	540	23	4
Total	7,457	7,762	(305)	(4)

ENTERGY GULF STATES LOUISIANA, L.L.C.

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Hurricane Gustav and Hurricane Ike

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Hurricane Gustav and Hurricane Ike**" in the Form 10-K for a discussion of Hurricane Gustav and Hurricane Ike, which caused catastrophic damage to Entergy Gulf States Louisiana's service territory in September 2008. Entergy Gulf States Louisiana expects to initiate its storm cost recovery proceedings with the LPSC in May 2009.

Results of Operations

Net Income

Net income decreased by $3.7 million for the first quarter 2009 compared to the first quarter 2008 primarily due to lower other income.

Net Revenue

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses and 3) other regulatory charges. Following is an analysis of the change in net revenue comparing the first quarter 2009 to the first quarter 2008.

	Amount (In Millions)
2008 net revenue	$195.5
Retail electric price	2.5
Volume/weather	(1.7)
Other	(0.2)
2009 net revenue	$196.1

The retail electric price variance is primarily due to a formula rate plan increase effective September 2008. Refer to "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - <u>State and Local Rate Regulation</u> - Retail Rates - Electric**" and Note 2 to the financial statements in the Form 10-K for a discussion of the formula rate plan increase.

The volume/weather variance is primarily due to a 22.3% volume decrease in industrial sales. The effect of the industrial sales volume decrease is mitigated, however, because of the fixed charge basis of many industrial customers' rates, which causes average price per KWh sold to increase as the fixed charges are spread over lower volume. Billed electricity usage decreased 524 GWh, or 12.4%, across all customer classes.

<u>Gross operating revenues and fuel and purchased power expenses</u>

Gross operating revenues decreased primarily due to a decrease of $61.5 million in fuel cost recovery revenues due to lower fuel rates and decreased usage.

Fuel and purchased power expenses decreased primarily due to a decrease in net area demand and the average market price of purchased power, partially offset by an increase in deferred fuel expense due to fuel and purchased power expense increases in excess of fuel cost recovery revenues.

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Other Income Statement Variances

Other income decreased primarily due to:

- a decrease of $4.2 million in interest and dividend income related to the debt assumption agreement with Entergy Texas. Entergy Gulf States Louisiana remains primarily liable on this debt, of which $699 million remained outstanding as of March 31, 2009 and $1,079 million as of March 31, 2008;
- the cessation of carrying charges on storm restoration costs as a result of the Act 55 storm cost financing;
- a decrease in interest earned on decommissioning trust funds; and
- a decrease in interest earned on money pool investments.

The decrease is partially offset by distributions of $4.7 million earned on preferred membership interests purchased from Entergy Holdings Company with the proceeds received from the Act 55 storm cost financings. See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - <u>Hurricane Rita and Hurricane Katrina</u>**" and Note 2 to the financial statements in the Form 10-K for a discussion of the Act 55 storm cost financing.

Income Taxes

The effective income tax rate was 41.1% for the first quarter 2009 and 39.5% for the first quarter 2008. The difference in the effective income tax rate for the first quarter 2009 versus the federal statutory rate of 35% is primarily due to certain book and tax differences related to the utility plant items and state income taxes, partially offset by book and tax differences related to storm cost financing, flow through book and tax timing differences, book and tax differences related to allowance for equity funds used during construction, and the amortization of investment tax credits. The difference in the effective income tax rate for the first quarter 2008 versus the federal statutory rate of 35% is due to book and tax differences related to utility plant items and state income taxes, partially offset by flow-through book and tax timing differences and the amortization of investment tax credits.

Liquidity and Capital Resources

Cash Flow

Cash flows for the first quarters of 2009 and 2008 were as follows:

	2009	2008
	(In Thousands)	
Cash and cash equivalents at beginning of period	$49,303	$108,036
Cash flow provided by (used in):		
Operating activities	38,818	64,214
Investing activities	(54,820)	(121,392)
Financing activities	(206)	(30,641)
Net decrease in cash and cash equivalents	(16,208)	(87,819)
Cash and cash equivalents at end of period	$33,095	$20,217

Operating Activities

Net cash flow provided in operating activities decreased $25.4 million for the first quarter 2009 compared to the first quarter 2008 primarily due to storm restoration spending resulting from Hurricane Gustav and Hurricane Ike and income tax payments of $28 million in 2009 compared to income tax refunds of $0.6 million in 2008, substantially offset by increased collection of fuel costs.

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Investing Activities

Net cash flow used in investing activities decreased $66.6 million for the first quarter 2009 compared to the first quarter 2008 primarily due to:

- the purchase of the Calcasieu Generating Facility for $56 million in March 2008. See **"MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources"** in the Form 10-K for a discussion of this purchase; and

- timing differences between nuclear fuel purchases and fuel trust reimbursements.

The decrease was partially offset by money pool activity. Increases in Entergy Gulf States Louisiana's receivable from the money pool are a use of cash flow, and Entergy Gulf States Louisiana's receivable from the money pool increased by $9.2 million for the three months ended March 31, 2009 compared to decreasing by $15.1 million for the three months ended March 31, 2008. The money pool is an inter-company borrowing arrangement designed to reduce Entergy subsidiaries' need for external short-term borrowings.

Financing Activities

Net cash flow used in financing activities decreased $30.4 million for the first quarter 2009 compared to the first quarter 2008 primarily due to a decrease in common equity distributions.

Capital Structure

Entergy Gulf States Louisiana's capitalization is balanced between equity and debt, as shown in the following table.

The calculation below does not reduce the debt by the debt assumed by Entergy Texas ($699 million as of March 31, 2009, and $770 million as of December 31, 2008) because Entergy Gulf States Louisiana remains primarily liable on the debt.

	March 31, 2009	December 31, 2008
Net debt to net capital	60.4%	61.6%
Effect of subtracting cash from debt	0.4%	0.6%
Debt to capital	60.8%	62.2%

Net debt consists of debt less cash and cash equivalents. Debt consists of notes payable, capital lease obligations and long-term debt, including the currently maturing portion. Capital consists of debt and members' equity. Net capital consists of capital less cash and cash equivalents. Entergy Gulf States Louisiana uses the net debt to net capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy Gulf States Louisiana's financial condition.

Uses and Sources of Capital

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources**" in the Form 10-K for a discussion of Entergy Gulf States Louisiana's uses and sources of capital. Following are updates to the information provided in the Form 10-K.

Entergy Gulf States Louisiana's receivables from the money pool were as follows:

March 31, 2009	December 31, 2008	March 31, 2008	December 31, 2007
(In Thousands)			
$20,805	$11,589	$40,372	$55,509

See Note 4 to the financial statements in the Form 10-K for a description of the money pool.

As discussed in the Form 10-K, Entergy Gulf States Louisiana has a credit facility in the amount of $100 million scheduled to expire in August 2012. No borrowings were outstanding under the facility as of March 31, 2009.

Little Gypsy Repowering Project

See the Form 10-K for a discussion of Entergy Louisiana's Little Gypsy repowering project. On March 11, 2009, the LPSC voted in favor of a motion directing Entergy Louisiana to temporarily suspend the repowering project and, based upon an analysis of the project's economic viability, to make a recommendation regarding whether to proceed with the project. This action was based upon a number of factors including the recent decline in natural gas prices, as well as environmental concerns, the unknown costs of carbon legislation and changes in the capital/financial markets.

On April 1, 2009, Entergy Louisiana complied with the LPSC's directive and recommended that the project be suspended for an extended period of time of three years or more. Entergy Louisiana estimates that its total costs for the project, if suspended, including actual spending to date and estimated contract cancellation costs, will be approximately $300 million. Entergy Louisiana had obtained all major environmental permits required to begin construction. A longer-term suspension places these permits at risk and may adversely affect the project's economics and technological feasibility. The LPSC has not yet taken action on Entergy Louisiana's recommendation, and Entergy Louisiana filed with the LPSC on May 5, 2009, a motion requesting a ruling from the LPSC that the decision to suspend the project for an extended period of time is prudent, without prejudice to subsequent consideration of the prudence of Entergy Louisiana's management of the project and recovery of the project costs. Entergy Louisiana expects to make a filing later in 2009 with the LPSC regarding the recovery of project costs.

Pension Contributions

See the "**Critical Accounting Estimates - Qualified Pension and Other Postretirement Benefits -** Costs and Funding" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for an update to the Form 10-K discussion on pension contributions.

Ouachita Power Plant

In August 2008, the LPSC issued an order approving an uncontested settlement between Entergy Gulf States Louisiana and the LPSC Staff authorizing Entergy Gulf States Louisiana's purchase, under a life-of-unit agreement, of one-third of the capacity and energy from the 789 MW Ouachita power plant, which Entergy Arkansas acquired on September 30, 2008. The LPSC's approval was subject to certain conditions, including a study to determine the costs and benefits of Entergy Gulf States Louisiana exercising an option to purchase one-third of the plant (Unit 3) from Entergy Arkansas. In April 2009, Entergy Gulf States Louisiana made a filing with the LPSC seeking approval of Entergy Gulf States Louisiana exercising its option to convert its purchased power agreement into the ownership interest in Unit 3 and a one-third interest in the Ouachita common facilities. Entergy Gulf States Louisiana estimates that the purchase price will be approximately $72.6 million, subject to change based on several factors, including the timing of the closing. The filing also requests LPSC approval of the cost-recovery mechanism for the acquisition. In addition, in April 2009, Entergy Arkansas and Entergy Gulf States Louisiana filed with the FERC for its approval of the transaction. Both the LPSC filing and the FERC filing anticipate an August 31, 2009 closing date for the acquisition.

Jurisdictional Separation of Entergy Gulf States, Inc. into Entergy Gulf States Louisiana and Entergy Texas

See the Form 10-K for a discussion of the jurisdictional separation of Entergy Gulf States, Inc. into two vertically integrated utility companies, one operating under the sole retail jurisdiction of the PUCT, Entergy Texas, and the other operating under the sole retail jurisdiction of the LPSC, Entergy Gulf States Louisiana. Pursuant to the LPSC order approving the jurisdictional separation plan, Entergy Gulf States Louisiana made two compliance filings in 2008. On March 31, 2008, Entergy Gulf States Louisiana made its jurisdictional separation plan balance

sheet compliance filing with the LPSC. On June 11, 2008, Entergy Gulf States Louisiana made its revenue and expense compliance filing. On December 29, 2008, the LPSC staff filed a motion with the LPSC seeking resolution of certain issues in the proceeding, and a hearing on these matters was scheduled to be held in April 2009. That hearing has been continued and is now scheduled to be held in July 2009.

State and Local Rate Regulation

See

"**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - State and Local Rate Regulation**" in the Form 10-K for a discussion of state and local rate regulation**.** Following are updates to the information provided in the Form 10-K.

In January 2009, Entergy Gulf States Louisiana filed with the LPSC its gas rate stabilization plan for the test year ending September 30, 2008. The filing showed a revenue deficiency of $529 thousand based on a return on common equity mid-point of 10.5%. In April 2009, Entergy Gulf States Louisiana implemented a $255 thousand rate increase pursuant to an uncontested settlement with the LPSC staff.

Federal Regulation

See "System Agreement Proceedings" and "Independent Coordinator of Transmission" in Entergy Corporation and Subsidiaries' Management's Financial Discussion and Analysis for updates to the discussion in the Form 10-K.

Industrial and Commercial Customers

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Industrial and Commercial Customers**" in the Form 10-K for a discussion of industrial and commercial customers.

Nuclear Matters

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Nuclear Matters**" in the Form 10-K for a discussion of nuclear matters.

Environmental Risks

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Environmental Risks**" in the Form 10-K for a discussion of environmental risks.

Critical Accounting Estimates

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates**" in the Form 10-K for a discussion of the estimates and judgments necessary in Entergy Gulf States Louisiana's accounting for nuclear decommissioning costs, the application of SFAS 71, unbilled revenue, and qualified pension and other postretirement benefits.

Qualified Pension and Other Postretirement Benefits

See the "**Critical Accounting Estimates - Qualified Pension and Other Postretirement Benefits -** Costs and Funding" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for an update to the Form 10-K discussion on qualified pension and other postretirement benefits.

New Accounting Pronouncements

See "**New Accounting Pronouncements**" section of Entergy Corporation and Subsidiaries' Management's Financial Discussion and Analysis for a discussion of new accounting pronouncements.

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ENTERGY GULF STATES LOUISIANA, L.L.C.
INCOME STATEMENTS
For the Three Months Ended March 31, 2009 and 2008
(Unaudited)

	2009	2008
	(In Thousands)	
OPERATING REVENUES		
Electric	$459,005	$520,296
Natural gas	29,900	38,268
TOTAL	488,905	558,564
OPERATING EXPENSES		
Operation and Maintenance:		
Fuel, fuel-related expenses, and gas purchased for resale	107,991	25,722
Purchased power	179,942	331,806
Nuclear refueling outage expenses	5,235	3,699
Other operation and maintenance	79,752	79,477
Decommissioning	3,295	3,039
Taxes other than income taxes	17,723	17,282
Depreciation and amortization	33,260	33,126
Other regulatory charges - net	4,882	5,546
	432,080	499,697
OPERATING INCOME	56,825	58,867
OTHER INCOME		
Allowance for equity funds used during construction	2,272	1,693
Interest and dividend income	18,238	22,808
Miscellaneous - net	(1,392)	(928)
TOTAL	19,118	23,573

INTEREST AND OTHER CHARGES		
Interest on long-term debt	29,026	31,766
Other interest - net	2,234	824
Allowance for borrowed funds used during construction	(1,336)	(1,079)
TOTAL	29,924	31,511
INCOME BEFORE INCOME TAXES	46,019	50,929
Income taxes	18,898	20,103
NET INCOME	27,121	30,826
Preferred distribution requirements and other	206	206
EARNINGS APPLICABLE TO COMMON EQUITY	$26,915	$30,620

See Notes to Financial Statements.

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ENTERGY GULF STATES LOUISIANA, L.L.C.
STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2009 and 2008
(Unaudited)

	2009	**2008**
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	$27,121	$30,826
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Other regulatory charges - net	4,882	5,546
Depreciation, amortization, and decommissioning	36,555	36,165
Deferred income taxes, investment tax credits, and non-current taxes accrued	(17,870)	45,885
Changes in working capital:		
Receivables	68,525	(69,806)
Fuel inventory	(4,663)	(10,278)
Accounts payable	(55,279)	111,852
Taxes accrued	19,454	-
Interest accrued	1,924	(995)
Deferred fuel costs	20,501	(45,841)
Other working capital accounts	4,243	(67,801)
Provision for estimated losses and reserves	(165)	439
Changes in other regulatory assets	(38,556)	5,891

Other	(27,854)	22,331
Net cash flow provided by operating activities	38,818	64,214
INVESTING ACTIVITIES		
Construction expenditures	(54,775)	(60,204)
Allowance for equity funds used during construction	2,272	1,693
Nuclear fuel purchases	(27)	(21,713)
Proceeds from sale/leaseback of nuclear fuel	10,459	-
Payment for purchase of plant	-	(56,409)
Investment in affiliates	160	-
Proceeds from nuclear decommissioning trust fund sales	23,769	11,049
Investment in nuclear decommissioning trust funds	(27,462)	(14,879)
Change in money pool receivable - net	(9,216)	15,137
Changes in other investments - net	-	3,934
Net cash flow used in investing activities	(54,820)	(121,392)
FINANCING ACTIVITIES		
Distributions paid:		
Common equity	-	(30,400)
Preferred membership interests	(206)	(241)
Net cash flow used in financing activities	(206)	(30,641)
Net decrease in cash and cash equivalents	(16,208)	(87,819)
Cash and cash equivalents at beginning of period	49,303	108,036
Cash and cash equivalents at end of period	$33,095	$20,217
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid/(received) during the period for:		
Interest - net of amount capitalized	$28,592	$32,824
Income taxes	$27,937	($621)
Noncash financing activities:		
Repayment by Entergy Texas of assumed long-term debt	$70,825	$-

See Notes to Financial Statements.

ENTERGY GULF STATES LOUISIANA, L.L.C.
BALANCE SHEETS
ASSETS
March 31, 2009 and December 31, 2008
(Unaudited)

	2009	2008
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$178	$22,671
Temporary cash investments	32,917	26,632
Total cash and cash equivalents	33,095	49,303
Accounts receivable:		
Customer	68,044	69,264
Allowance for doubtful accounts	(1,441)	(1,230)
Associated companies	146,175	179,217
Other	35,328	60,618
Accrued unbilled revenues	50,726	50,272
Total accounts receivable	298,832	358,141
Accumulated deferred income taxes	50,611	50,039
Fuel inventory - at average cost	38,414	33,751
Materials and supplies - at average cost	106,312	104,579
Deferred nuclear refueling outage costs	12,200	17,135
Debt assumption by Entergy Texas	100,509	100,509
Prepayments and other	8,708	6,381
TOTAL	648,681	719,838
OTHER PROPERTY AND INVESTMENTS		
Investment in affiliate preferred membership interests	189,400	189,560
Decommissioning trust funds	292,917	303,178
Non-utility property - at cost (less accumulated depreciation)	121,907	120,829
Other	13,574	13,245
TOTAL	617,798	626,812
UTILITY PLANT		
Electric	6,518,827	6,402,668
Natural gas	107,788	106,125
Construction work in progress	101,147	201,544
Nuclear fuel under capital lease	133,518	140,689
Nuclear fuel	9,822	11,177
TOTAL UTILITY PLANT	6,871,102	6,862,203
Less - accumulated depreciation and amortization	3,564,414	3,560,458
UTILITY PLANT - NET	3,306,688	3,301,745
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
SFAS 109 regulatory asset - net	311,050	316,421
Other regulatory assets	302,186	287,912
Deferred fuel costs	100,124	100,124
Long-term receivables	21,564	21,558

Debt assumption by Entergy Texas	598,637	669,462
Other	15,406	13,089
TOTAL	1,348,967	1,408,566
TOTAL ASSETS	$5,922,134	$6,056,961

See Notes to Financial Statements.

ENTERGY GULF STATES LOUISIANA, L.L.C.
BALANCE SHEETS
LIABILITIES AND MEMBERS' EQUITY
March 31, 2009 and December 31, 2008
(Unaudited)

	2009	2008
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$219,470	$219,470
Accounts payable:		
Associated companies	125,965	155,147
Other	91,527	162,319
Customer deposits	42,666	40,484
Taxes accrued	19,872	418
Interest accrued	32,036	30,112
Deferred fuel costs	112,477	91,976
Obligations under capital leases	24,368	24,368
Pension and other postretirement liabilities	7,593	7,479
Gas hedge contracts	22,904	20,184
System agreement cost equalization	67,000	67,000
Other	7,572	9,220
TOTAL	773,450	828,177
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	1,284,531	1,308,449
Accumulated deferred investment tax credits	90,787	91,634
Obligations under capital leases	109,150	116,321
Other regulatory liabilities	29,615	22,007
Decommissioning and asset retirement cost liabilities	227,661	222,909
Accumulated provisions	13,731	13,896
Pension and other postretirement liabilities	186,365	188,390
Long-term debt	1,757,103	1,827,859
Other	90,286	105,176
TOTAL	3,789,229	3,896,641

Commitments and Contingencies

MEMBERS' EQUITY		
Preferred membership interests without sinking fund	10,000	10,000
Members' equity	1,379,318	1,352,408
Accumulated other comprehensive loss	(29,863)	(30,265)
TOTAL	1,359,455	1,332,143
TOTAL LIABILITIES AND MEMBERS' EQUITY	$5,922,134	$6,056,961

See Notes to Financial Statements.

ENTERGY GULF STATES LOUISIANA, L.L.C.
STATEMENTS OF MEMBERS' EQUITY AND COMPREHENSIVE INCOME
For the Three Months Ended March 31, 2009 and 2008
(Unaudited)

	2009		2008	
	(In Thousands)			
MEMBERS' EQUITY				
Members' Equity - Beginning of period	$1,352,408		$1,312,701	
Add:				
Net Income	27,121	$27,121	30,826	$30,826
Other	-		12	
	27,121		30,838	
Deduct:				
Distributions declared on common equity	-		30,400	
Distributions decleared on preferred membership interests	206	206	206	206
Other	5		-	
	211		30,606	
Members' Equity - End of period	$1,379,318		$1,312,933	
ACCUMULATED OTHER COMPREHENSIVE LOSS (Net of Taxes):				
Balance at beginning of period:				
Pension and other postretirement liabilities	($30,265)		($22,934)	
Pension and other postretirement liabilities (net of tax expense of $436 and $428)	402	402	329	329

Balance at end of period:				
Pension and other postretirement liabilities	($29,863)		($22,605)	
Comprehensive Income		$27,317		$30,949

See Notes to Financial Statements.

ENTERGY GULF STATES LOUISIANA, L.L.C.
SELECTED OPERATING RESULTS
For the Three Months Ended March 31, 2009 and 2008
(Unaudited)

Description	2009	2008	Increase/ (Decrease)	%
	(Dollars In Millions)			
Electric Operating Revenues:				
Residential	$101	$115	($14)	(12)
Commercial	99	111	(12)	(11)
Industrial	112	153	(41)	(27)
Governmental	5	6	(1)	(17)
Total retail	317	385	(68)	(18)
Sales for resale				
Associated companies	96	86	10	12
Non-associated companies	32	45	(13)	(29)
Other	14	4	10	250
Total	$459	$520	($61)	(12)
Billed Electric Energy Sales (GWh):				
Residential	1,056	1,091	(35)	(3)
Commercial	1,125	1,135	(10)	(1)
Industrial	1,660	2,137	(477)	(22)
Governmental	51	53	(2)	(4)
Total retail	3,892	4,416	(524)	(12)
Sales for resale				
Associated companies	1,783	746	1,037	139
Non-associated companies	661	664	(3)	-
Total	6,336	5,826	510	9

ENTERGY LOUISIANA, LLC

MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS

Hurricane Gustav and Hurricane Ike

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Hurricane Gustav and Hurricane Ike**" in the Form 10-K for a discussion of Hurricane Gustav (and, to a much lesser extent, Hurricane Ike), which caused catastrophic damage to Entergy Louisiana's service territory in September 2008. Entergy Louisiana expects to initiate its storm cost recovery proceedings with the LPSC in May 2009.

Results of Operations

Net Income

Net income increased $16.9 million for the first quarter 2009 compared to the first quarter 2008 primarily due to higher other income and lower operation and maintenance expenses, partially offset by lower net revenue.

Net Revenue

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory charges. Following is an analysis of the change in net revenue comparing the first quarter 2009 to the first quarter 2008.

	Amount (In Millions)
2008 net revenue	$219.2
Retail electric price	(17.3)
Volume/weather	5.1
Other	4.9
2009 net revenue	$211.9

The retail electric price variance is primarily due to:

- a credit passed on to customers as a result of the Act 55 storm cost financing; and
- a net decrease in the formula rate plan effective August 2008 to remove interim storm recovery upon the Act 55 financing of storm costs as well as the storm damage accrual. A portion of the decrease is offset in other operation and maintenance expenses. See Note 2 to the financial statements in the Form 10-K for further discussion of the formula rate plan.

Refer to "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Hurricane Rita and Hurricane Katrina**" and Note 2 to the financial statements in the Form 10-K for a discussion of the interim recovery of storm costs and the Act 55 storm cost financing.

The volume/weather variance is primarily due to an increase in the average price of sales from the entire industrial sector as a result of a decrease in volume primarily in the lower-priced large industrial customer class. As volume decreases in this particular industrial class, average price per KWh sold increases as there are fixed charges spread over less volume. Industrial sales volume decreased overall by 5.8%. Billed electricity usage decreased 224 GWh across all customer classes.

Gross operating revenues and fuel and purchased power expenses

Gross operating revenues decreased primarily due to a decrease of $35.9 million in fuel cost recovery revenues due to lower fuel rates and decreased usage.

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Fuel and purchased power expenses decreased primarily due to a decrease in net area demand and decreases in the average market prices of natural gas and purchased power, partially offset by an increase in deferred fuel expense due to fuel and purchased power expense increases in excess of fuel cost recovery revenues.

Other Income Statement Variances

Other operation and maintenance expenses decreased primarily due to:

- a decrease of $4.9 million in loss reserves for storm damage in 2009 because of the completion of the Act 55 storm cost financing;
- a decrease of $3.6 million in payroll-related costs; and
- a decrease of $3.1 million due to lower fossil plant outage expenses compared to 2008.

Other income increased primarily due to:

- distributions of $13.6 million earned on preferred membership interests purchased from Entergy Holdings Company with the proceeds received from the Act 55 storm cost financings. See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Hurricane Rita and Hurricane Katrina**" and Note 2 to the financial statements in the Form 10-K for a discussion of the Act 55 storm cost financing;
- an increase in the allowance for equity funds used during construction due to more construction work in progress in 2009; and
- carrying charges on storm restoration costs as provided for by the LPSC.

Income Taxes

The effective income tax rates for the first quarters of 2009 and 2008 were 25.1% and 44.5%, respectively. The difference in the effective income tax rate for the first quarter 2009 versus the federal statutory rate of 35.0% is primarily due to book and tax differences related to the storm cost financing and allowance for equity funds used during construction, partially offset by certain book and tax differences related to utility plant items and state income taxes. The difference in the effective income tax rate for the first quarter 2008 versus the federal statutory rate of 35.0% is primarily due to certain book and tax differences related to utility plant items, state income taxes, and a federal tax reserve adjustment, partially offset by book and tax differences related to the allowance for equity funds used during construction and the amortization of investment tax credits.

Liquidity and Capital Resources

Cash Flow

Cash flows for the first quarters of 2009 and 2008 were as follows:

	2009	2008
	(In Thousands)	
Cash and cash equivalents at beginning of period	$138,918	$300
Cash flow provided by (used in):		
Operating activities	41,503	29,049
Investing activities	(95,845)	(72,029)
Financing activities	(11,235)	43,210
Net increase (decrease) in cash and cash equivalents	(65,577)	230
Cash and cash equivalents at end of period	$73,341	$530

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Operating Activities

Cash flow provided by operating activities increased $12.5 million for the first quarter 2009 compared to the first quarter 2008 primarily due to increased recovery of fuel costs and income tax refunds of $31.0 million in 2009 compared to income tax payments of $1.3 million in 2008, almost entirely offset by storm restoration spending caused by Hurricane Gustav.

Investing Activities

Net cash flow used in investing activities increased $23.8 million for the first quarter 2009 compared to the first quarter 2008 primarily due to increased construction expenditures in 2009 due to Hurricane Gustav and the Little Gypsy Unit 3 repowering project, partially offset by money pool activity.

Decreases in Entergy Louisiana's receivable from the money pool is a source of cash flow, and Entergy Louisiana's receivable from the money pool decreased $14.5 million in the first quarter 2009. The money pool is an inter-company borrowing arrangement designed to reduce Entergy's subsidiaries need for external short-term borrowings.

Financing Activities

Entergy Louisiana's financing activities used $11.2 million of cash for the first quarter 2009 compared to providing $43.2 million of cash for the first quarter 2008 primarily due to money pool activity and a principal payment of $6.6 million in 2009 for the Waterford 3 sale-leaseback obligation.

Increases in Entergy Louisiana's payable to the money pool is a source of cash flow, and Entergy Louisiana's payable to the money pool increased by $44.7 million for the first quarter 2008.

Capital Structure

Entergy Louisiana's capitalization is balanced between equity and debt, as shown in the following table.

	March 31, 2009	December 31, 2008
Net debt to net capital	44.0%	43.6%
Effect of subtracting cash from debt	1.3%	2.5%
Debt to capital	45.3%	46.1%

Net debt consists of debt less cash and cash equivalents. Debt consists of notes payable, capital lease obligations, and long-term debt, including the currently maturing portion. Capital consists of debt and members' equity. Net capital consists of capital less cash and cash equivalents. Entergy Louisiana uses the net debt to net capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy Louisiana's financial condition.

Uses and Sources of Capital

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources**" in the Form 10-K for a discussion of Entergy Louisiana's uses and sources of capital. Following are updates to the discussion in the Form 10-K.

Entergy Louisiana's receivables from or (payables to) the money pool were as follows:

March 31, 2009	December 31, 2008	March 31, 2008	December 31, 2007
	(In Thousands)		
$46,784	$61,236	($47,460)	($2,791)

See Note 4 to the financial statements in the Form 10-K for a description of the money pool.

As discussed in the Form 10-K, Entergy Louisiana has a credit facility in the amount of $200 million scheduled to expire in August 2012. No borrowings were outstanding under the facility as of March 31, 2009.

Little Gypsy Repowering Project

See the Form 10-K for a discussion of Entergy Louisiana's Little Gypsy repowering project. On March 11, 2009, the LPSC voted in favor of a motion directing Entergy Louisiana to temporarily suspend the repowering project and, based upon an analysis of the project's economic viability, to make a recommendation regarding whether to proceed with the project. This action was based upon a number of factors including the recent decline in natural gas prices, as well as environmental concerns, the unknown costs of carbon legislation and changes in the capital/financial markets.

On April 1, 2009, Entergy Louisiana complied with the LPSC's directive and recommended that the project be suspended for an extended period of time of three years or more. Entergy Louisiana estimates that its total costs for the project, if suspended, including actual spending to date and estimated contract cancellation costs, will be approximately $300 million. Entergy Louisiana had obtained all major environmental permits required to begin construction. A longer-term suspension places these permits at risk and may adversely affect the project's economics and technological feasibility. The LPSC has not yet taken action on Entergy Louisiana's recommendation, and Entergy Louisiana filed with the LPSC on May 5, 2009, a motion requesting a ruling from the LPSC that the decision to suspend the project for an extended period of time is prudent, without prejudice to subsequent consideration of the prudence of Entergy Louisiana's management of the project and recovery of the project costs. Entergy Louisiana expects to make a filing later in 2009 with the LPSC regarding the recovery of project costs.

Pension Contributions

See the "**Critical Accounting Estimates - Qualified Pension and Other Postretirement Benefits -** Costs and Funding" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for an update to the Form 10-K discussion on pension contributions.

State and Local Rate Regulation

See

"**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - State and Local Rate Regulation**" in the Form 10-K for a discussion of state and local rate regulation**.** Following are updates to the information provided in the Form 10-K.

In May 2007, Entergy Louisiana made its formula rate plan filing with the LPSC for the 2006 test year, indicating a 7.6% earned return on common equity. That filing included Entergy Louisiana's request to recover $39.8 million in unrecovered fixed costs associated with the loss of customers that resulted from Hurricane Katrina, a request that was reduced to $31.7 million. In September 2007, Entergy Louisiana modified its formula rate plan filing to reflect its implementation of certain adjustments proposed by the LPSC Staff in its review of Entergy Louisiana's original filing with which Entergy Louisiana agreed, and to reflect its implementation of an $18.4 million annual formula rate plan increase comprised of (1) a $23.8 million increase representing 60% of Entergy Louisiana's revenue deficiency, and (2) a $5.4 million decrease for reduced incremental and deferred capacity costs. The LPSC authorized Entergy Louisiana to defer for accounting purposes the difference between its $39.8 million claim, now at $31.7 million, for unrecovered fixed costs and 60% of the revenue deficiency to preserve

Entergy Louisiana's right to pursue that claim in full during the formula rate plan proceeding. In October 2007, Entergy Louisiana implemented a $7.1 million formula rate plan decrease that was due primarily to the reclassification of certain franchise fees from base rates to collection via a line item on customer bills pursuant to an LPSC Order. The LPSC staff and intervenors recommended disallowance of certain costs included in Entergy Louisiana's filing. Entergy Louisiana disagrees with the majority of the proposed disallowances and a hearing on the disputed issues was held in late-September/early-October 2008. In March 2009 the ALJ issued a proposed recommendation, which does not allow recovery of the unrecovered fixed costs and also disallows recovery of all costs associated with Entergy's stock option plan. Entergy Louisiana has filed exceptions to the ALJ's proposed recommendation.

Federal Regulation

See "System Agreement Proceedings" and "Independent Coordinator of Transmission" in the "**Rate, Cost-recovery, and Other Regulation**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for updates to the discussion in the Form 10-K.

Utility Restructuring

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Utility Restructuring**" in the Form 10-K for a discussion of utility restructuring.

Industrial and Commercial Customers

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Industrial and Commercial Customers**" in the Form 10-K for a discussion of industrial and commercial customers.

Nuclear Matters

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Nuclear Matters**" in the Form 10-K for a discussion of nuclear matters.

Environmental Risks

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Environmental Risks**" in the Form 10-K for a discussion of environmental risks.

Critical Accounting Estimates

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates**" in the Form 10-K for a discussion of the estimates and judgments necessary in Entergy Louisiana's accounting for nuclear decommissioning costs, unbilled revenue, and qualified pension and other postretirement benefits.

Qualified Pension and Other Postretirement Benefits

See the "**Critical Accounting Estimates - Qualified Pension and Other Postretirement Benefits -** Costs and Funding" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for an update to the Form 10-K discussion on qualified pension and other postretirement benefits.

New Accounting Pronouncements

See "**New Accounting Pronouncements**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for a discussion of new accounting pronouncements.

ENTERGY LOUISIANA, LLC
INCOME STATEMENTS
For the Three Months Ended March 31, 2009 and 2008
(Unaudited)

	2009	2008
	(In Thousands)	
OPERATING REVENUES		
Electric	$529,257	$564,744

OPERATING EXPENSES		
Operation and Maintenance:		
Fuel, fuel-related expenses, and gas purchased for resale	134,574	112,995
Purchased power	176,522	222,527
Nuclear refueling outage expenses	5,594	4,503
Other operation and maintenance	93,642	100,872
Decommissioning	5,202	4,844
Taxes other than income taxes	16,644	14,741
Depreciation and amortization	49,447	47,060
Other regulatory charges - net	6,255	9,983
TOTAL	487,880	517,525
OPERATING INCOME	41,377	47,219
OTHER INCOME		
Allowance for equity funds used during construction	7,446	3,257
Interest and dividend income	21,513	4,749
Miscellaneous - net	(773)	(1,213)
TOTAL	28,186	6,793
INTEREST AND OTHER CHARGES		
Interest on long-term debt	23,407	19,555
Other interest - net	2,160	1,155
Allowance for borrowed funds used during construction	(4,810)	(1,997)
TOTAL	20,757	18,713
INCOME BEFORE INCOME TAXES	48,806	35,299
Income taxes	12,268	15,703
NET INCOME	36,538	19,596
Preferred dividend requirements and other	1,738	1,738
EARNINGS APPLICABLE TO COMMON EQUITY	$34,800	$17,858

See Notes to Financial Statements.

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ENTERGY LOUISIANA, LLC
STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2009 and 2008
(Unaudited)

	2009	2008
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	$36,538	$19,596
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Other regulatory charges - net	6,255	9,983
Depreciation, amortization, and decommissioning	54,649	51,904
Deferred income taxes, investment tax credits, and non-current taxes accrued	56,390	7,407
Changes in working capital:		
Receivables	45,195	23,570
Accounts payable	(56,547)	(25,241)
Taxes accrued	254	26,052
Interest accrued	(14,682)	(8,215)
Deferred fuel costs	5,779	(65,003)
Other working capital accounts	21,877	(38,510)
Provision for estimated losses and reserves	8,592	(3)
Changes in other regulatory assets	(143,715)	6,272
Other	20,918	21,237
Net cash flow provided by operating activities	41,503	29,049
INVESTING ACTIVITIES		
Construction expenditures	(115,970)	(75,244)
Allowance for equity funds used during construction	7,446	3,257
Nuclear fuel purchases	-	(50,096)

Proceeds from the sale/leaseback of nuclear fuel	-	52,482
Investment in affiliates	159	-
Proceeds from nuclear decommissioning trust fund sales	10,223	5,169
Investment in nuclear decommissioning trust funds	(12,652)	(7,597)
Change in money pool receivable - net	14,452	-
Changes in other investments - net	497	-
Net cash flow used in investing activities	(95,845)	(72,029)
FINANCING ACTIVITIES		
Retirement of long-term debt	(6,597)	-
Change in money pool payable - net	-	44,669
Distributions paid:		
Common stock	(2,900)	-
Preferred membership interests	(1,738)	(1,459)
Net cash flow provided by (used in) financing activities	(11,235)	43,210
Net increase (decrease) in cash and cash equivalents	(65,577)	230
Cash and cash equivalents at beginning of period	138,918	300
Cash and cash equivalents at end of period	$73,341	$530
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid/(received) during the period for:		
Interest - net of amount capitalized	$39,421	$28,041
Income taxes	($31,044)	$1,250

See Notes to Financial Statements.

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ENTERGY LOUISIANA, LLC
BALANCE SHEETS
ASSETS
March 31, 2009 and December 31, 2008
(Unaudited)

	2009	2008
	(In Thousands)	
CURRENT ASSETS		
Cash and cash equivalents:		
Cash	$499	$ -
Temporary cash investments	72,842	138,918
Total cash and cash equivalents	73,341	138,918
Accounts receivable:		

Customer	90,722	127,765
Allowance for doubtful accounts	(1,694)	(1,698)
Associated companies	227,860	244,575
Other	9,712	11,271
Accrued unbilled revenues	63,178	67,512
Total accounts receivable	389,778	449,425
Accumulated deferred income taxes	69,353	66,229
Materials and supplies - at average cost	123,371	128,388
Deferred nuclear refueling outage costs	14,196	19,962
Prepayments and other	10,598	10,046
TOTAL	680,637	812,968
OTHER PROPERTY AND INVESTMENTS		
Investment in affiliate preferred membership interests	544,995	545,154
Decommissioning trust funds	172,458	180,862
Non-utility property - at cost (less accumulated depreciation)	1,260	1,306
Note receivable - Entergy New Orleans	9,353	9,353
Other	1,308	1,805
TOTAL	729,374	738,480
UTILITY PLANT		
Electric	6,843,524	6,734,732
Property under capital lease	256,348	256,348
Construction work in progress	583,561	602,070
Nuclear fuel under capital lease	61,137	74,197
TOTAL UTILITY PLANT	7,744,570	7,667,347
Less - accumulated depreciation and amortization	3,271,393	3,245,701
UTILITY PLANT - NET	4,473,177	4,421,646
DEFERRED DEBITS AND OTHER ASSETS		
Regulatory assets:		
SFAS 109 regulatory asset - net	127,937	107,596
Other regulatory assets	551,027	515,053
Deferred fuel costs	67,998	67,998
Long-term receivables	1,209	1,209
Other	21,938	20,218
TOTAL	770,109	712,074
TOTAL ASSETS	$6,653,297	$6,685,168

See Notes to Financial Statements.

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ENTERGY LOUISIANA, LLC
BALANCE SHEETS

LIABILITIES AND MEMBERS' EQUITY
March 31, 2009 and December 31, 2008
(Unaudited)

	2009	2008
	(In Thousands)	
CURRENT LIABILITIES		
Currently maturing long-term debt	$17,326	$ -
Accounts payable:		
Associated companies	49,324	67,465
Other	115,263	254,055
Customer deposits	80,371	78,401
Taxes accrued	25,947	25,693
Interest accrued	23,598	38,280
Deferred fuel costs	97,342	91,563
Obligations under capital leases	38,362	38,362
Pension and other postretirement liabilities	9,044	8,935
System agreement cost equalization	156,000	156,000
Gas hedge contracts	39,884	26,668
Other	30,192	33,841
TOTAL	682,653	819,263
NON-CURRENT LIABILITIES		
Accumulated deferred income taxes and taxes accrued	2,018,306	1,940,065
Accumulated deferred investment tax credits	82,048	82,848
Obligations under capital leases	22,782	35,843
Other regulatory liabilities	59,191	43,562
Decommissioning	282,041	276,839
Accumulated provisions	28,508	19,916
Pension and other postretirement liabilities	283,615	282,683
Long-term debt	1,363,558	1,387,473
Other	92,139	88,838
TOTAL	4,232,188	4,158,067
Commitments and Contingencies		
MEMBERS' EQUITY		
Preferred membership interests without sinking fund	100,000	100,000
Members' equity	1,662,253	1,632,053
Accumulated other comprehensive loss	(23,797)	(24,215)
TOTAL	1,738,456	1,707,838
TOTAL LIABILITIES AND MEMBERS' EQUITY	$6,653,297	$6,685,168

See Notes to Financial Statements.

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ENTERGY LOUISIANA, LLC
STATEMENTS OF MEMBERS' EQUITY AND COMPREHENSIVE INCOME
For the Three Months Ended March 31, 2009 and 2008
(Unaudited)

	2009		2008	
	(In Thousands)			
MEMBERS' EQUITY				
Members' Equity - Beginning of period	$1,632,053		$1,481,509	
Add:				
Net income	36,538	$36,538	19,596	$19,596
	36,538		19,596	
Deduct:				
Distributions declared:				
Preferred membership interests	1,738	1,738	1,738	1,738
Common equity	4,600		-	
	6,338		1,738	
Members' Equity - End of period	$1,662,253		$1,499,367	
ACCUMULATED OTHER COMPREHENSIVE LOSS (Net of Taxes):				
Balance at beginning of period:				
Pension and other postretirement liabilities	($24,215)		($27,968)	
Pension and other postretirement liabilities (net of tax expense of $348 and $409)	418	418	482	482
Balance at end of period:				
Pension and other postretirement liabilities	($23,797)		($27,486)	
Comprehensive Income		$35,218		$18,340

See Notes to Financial Statements.

ENTERGY LOUISIANA, LLC
SELECTED OPERATING RESULTS
For the Three Months Ended March 31, 2009 and 2008
(Unaudited)

Description	2009	2008	Increase/ (Decrease)	%
	(Dollars In Millions)			
Electric Operating Revenues:				
Residential	$164	$182	($18)	(10)
Commercial	118	128	(10)	(8)
Industrial	184	205	(21)	(10)
Governmental	10	11	(1)	(9)
Total retail	476	526	(50)	(10)
Sales for resale				
Associated companies	32	31	1	3
Non-associated companies	2	2	-	-
Other	19	6	13	217
Total	$529	$565	($36)	(6)
Billed Electric Energy Sales (GWh):				
Residential	1,931	1,970	(39)	(2)
Commercial	1,312	1,308	4	-
Industrial	3,043	3,230	(187)	(6)
Governmental	115	117	(2)	(2)
Total retail	6,401	6,625	(224)	(3)
Sales for resale				
Associated companies	349	480	(131)	(27)
Non-associated companies	55	23	32	139
Total	6,805	7,128	(323)	(5)

ENTERGY MISSISSIPPI, INC.

Results of Operations

Net Income

Net income increased slightly, by $0.6 million, for the first quarter 2009 compared to the first quarter 2008 primarily due to higher net revenue, lower other operation and maintenance expenses, and a lower effective income tax rate, substantially offset by higher taxes other than income taxes.

Net Revenue

Net revenue consists of operating revenues net of: 1) fuel, fuel-related expenses, and gas purchased for resale, 2) purchased power expenses, and 3) other regulatory charges (credits). Following is an analysis of the change in net revenue comparing the first quarter 2009 to the first quarter 2008.

	Amount (In Millions)
2008 net revenue	$105.5
Retail electric price	1.9
Net wholesale revenue	1.0
Volume/weather	(4.1)
Other	2.4
2009 net revenue	$106.7

The retail electric price variance is primarily due to an increase in the Attala power plant costs that are recovered through the power management rider. The net income effect of this recovery is limited to a portion representing an allowed return on equity with the remainder offset by Attala power plant costs in other operation and maintenance expenses, depreciation expenses, and taxes other than income taxes.

The net wholesale revenue variance is primarily due to a change in a contract with a wholesale customer that increased the volume in its monthly demand charge.

The volume/weather variance is primarily due to decreased electricity usage in the industrial sector. Billed electricity usage decreased a total of 148 GWh primarily in the industrial sector.

Gross operating revenues, fuel and purchased power expenses, and other regulatory charges (credits)

Gross operating revenues decreased primarily due to:

- a decrease of $31.7 million due to lower power management rider revenue; and
- a decrease of $14.3 million in gross wholesale revenues primarily due to a decrease in net generation and purchases in excess of decreased net area demand resulting in less energy available for resale sales.

These decreases were partially offset by an increase of $19.3 million in fuel recovery revenues due to an increase in the energy cost recovery rider.

Fuel and purchased power expenses increased primarily due to an increase in deferred fuel expenses due to a higher energy cost recovery rate, significantly offset by decreases in the average market prices of natural gas and purchased power.

Other regulatory charges decreased primarily due to decreased recovery of costs associated with the power management recovery rider and decreased recovery through the Grand Gulf Rider of Grand Gulf capacity costs due to lower rates and decreased usage. There is no material effect on net income due to quarterly adjustments to the power management recovery rider.

Other Income Statement Variances

Other operation and maintenance expenses decreased primarily due to:

- a decrease of $1.9 million in fossil expenses due to the timing of outages and lower plant maintenance costs; and
- a decrease of $1.8 million due to payroll-related and benefit costs.

These decreases were partially offset by an increase of $1.2 million in legal spending due to increased regulatory activity.

Taxes other than income taxes increased primarily due to a revision in January 2008 based on the receipt of information to finalize 2007 expense.

Income Taxes

The effective income tax rates for the first quarters 2009 and 2008 were 25.1% and 31.1%, respectively. The difference between the effective income tax rate for the first quarter 2009 versus the federal statutory rate of 35.0% is primarily due to a state income tax benefit resulting from a manufacturing credit in the first quarter 2009. The difference between the effective income tax rate for the first quarter 2008 versus the federal statutory rate of 35.0% is primarily due to book and tax differences related to the allowance for equity funds used during construction and the amortization of investment tax credits, partially offset by state income taxes.

Liquidity and Capital Resources

Cash Flow

Cash flows for the first quarters of 2009 and 2008 were as follows:

	2009	2008
	(In Thousands)	
Cash and cash equivalents at beginning of period	$1,082	$40,582
Cash flow provided by (used in):		
Operating activities	1,989	(9,123)
Investing activities	(27,826)	(18,299)
Financing activities	24,789	(9,407)

Net decrease in cash and cash equivalents	(1,048)	(36,829)
Cash and cash equivalents at end of period	$34	$3,753

Operating Activities

Entergy Mississippi's operating activities provided $2.0 million in cash flow for the first quarter 2009 compared to using $9.1 million in cash flow for the first quarter 2008 primarily due to increased recovery of fuel costs.

Investing Activities

Cash flow used in investing activities increased $9.5 million for the first quarter 2009 compared to the first quarter 2008 primarily due to money pool activity.

Decreases in Entergy Mississippi's receivable from the money pool are a source of cash flow, and Entergy Mississippi's receivable from the money pool decreased by $9.7 million in the first quarter 2008. The money pool is an inter-company borrowing arrangement designed to reduce Entergy's subsidiaries' need for external short-term borrowings.

Financing Activities

Entergy Mississippi's financing activities provided $24.8 million in cash flow for the first quarter 2009 compared to using $9.4 million in cash flow for the first quarter 2008 primarily due to borrowings of $25 million on Entergy Mississippi's credit facility, a decrease of $5.7 million in common stock dividends paid, and money pool activity.

Increases in Entergy Mississippi's payable to the money pool are a source of cash flow, and Entergy Mississippi's payable to the money pool increased by $3.5 million in the first quarter 2009. The money pool is an inter-company borrowing arrangement designed to reduce Entergy's subsidiaries' need for external short-term borrowings.

Capital Structure

Entergy Mississippi's capitalization is balanced between equity and debt, as shown in the following table.

	March 31, 2009	December 31, 2008
Net debt to net capital	50.3%	49.5%
Effect of subtracting cash from debt	0.0%	0.0%
Debt to capital	50.3%	49.5%

Net debt consists of debt less cash and cash equivalents. Debt consists of notes payable, capital lease obligations, and long-term debt, including the currently maturing portion. Capital consists of debt, preferred stock without sinking fund, and shareholders' equity. Net capital consists of capital less cash and cash equivalents. Entergy Mississippi uses the net debt to net capital ratio in analyzing its financial condition and believes it provides useful information to its investors and creditors in evaluating Entergy Mississippi's financial condition.

Uses and Sources of Capital

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Liquidity and Capital Resources**" in the Form 10-K for a discussion of Entergy Mississippi's uses and sources of capital. Following are updates to the information presented in the Form 10-K.

Entergy Mississippi's receivables from or (payables to) the money pool were as follows:

March 31, 2009	December 31, 2008	March 31, 2008	December 31, 2007
(In Thousands)			
($69,540)	($66,044)	$11,256	$20,997

See Note 4 to the financial statements in the Form 10-K for a description of the money pool.

As discussed in the Form 10-K, Entergy Mississippi has two separate credit facilities in the aggregate amount of $50 million scheduled to expire in May 2009. Entergy Mississippi expects to renew both of its credit facilities prior to expiration. As of March 31, 2009, $25 million was outstanding on the credit facilities.

Pension Contributions

See the "**Critical Accounting Estimates - Qualified Pension and Other Postretirement Benefits -** Costs and Funding" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for an update to the Form 10-K discussion on pension contributions.

State and Local Rate Regulation

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - State and Local Rate Regulation**" in the Form 10-K for a discussion of the formula rate plan and fuel and purchased power cost recovery. Following is an update to that discussion.

Formula Rate Plan

In March 2009, Entergy Mississippi made with the MPSC its annual scheduled formula rate plan filing for the 2008 test year. The filing reported a $27.0 million revenue deficiency and an earned return on common equity of 7.41%. Based on the terms of the formula rate plan, Entergy Mississippi is requesting a $14.5 million increase in annual electric revenues. The Mississippi Public Utilities Staff disputed the filing, which extends the resolution deadline to June 30, 2009.

Federal Regulation

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Federal Regulation**" in the Form 10-K for a discussion of "System Agreement Proceedings," "Transmission," and "Interconnection Orders."

Utility Restructuring

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Utility Restructuring**" in the Form 10-K for a discussion of utility restructuring.

Critical Accounting Estimates

See "**MANAGEMENT'S FINANCIAL DISCUSSION AND ANALYSIS - Critical Accounting Estimates**" in the Form 10-K for a discussion of the estimates and judgments necessary in Entergy Mississippi's accounting for unbilled revenue and qualified pension and other postretirement benefits.

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Qualified Pension and Other Postretirement Benefits

See the "**Critical Accounting Estimates - Qualified Pension and Other Postretirement Benefits -** Costs and Funding" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for an update to the Form 10-K discussion on qualified pension and other postretirement benefits.

New Accounting Pronouncements

See "**New Accounting Pronouncements**" section of Entergy Corporation and Subsidiaries Management's Financial Discussion and Analysis for a discussion of new accounting pronouncements.

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ENTERGY MISSISSIPPI, INC.

INCOME STATEMENTS

For the Three Months Ended March 31, 2009 and 2008

(Unaudited)

	2009	2008
	(In Thousands)	
OPERATING REVENUES		
Electric	$261,705	$294,850
OPERATING EXPENSES		
Operation and Maintenance:		
Fuel, fuel-related expenses, and gas purchased for resale	100,898	78,764
Purchased power	95,269	96,099
Other operation and maintenance	50,143	51,106
Taxes other than income taxes	16,610	14,812
Depreciation and amortization	21,283	20,415
Other regulatory charges (credits) - net	(41,147)	14,485
TOTAL	243,056	275,681

OPERATING INCOME	18,649	19,169
OTHER INCOME		
Allowance for equity funds used during construction	965	776
Interest and dividend income	226	210
Miscellaneous - net	(507)	(661)
TOTAL	684	325
INTEREST AND OTHER CHARGES		
Interest on long-term debt	10,467	10,550
Other interest - net	1,154	1,136
Allowance for borrowed funds used during construction	(617)	(435)
TOTAL	11,004	11,251
INCOME BEFORE INCOME TAXES	8,329	8,243
Income taxes	2,091	2,564
NET INCOME	6,238	5,679
Preferred dividend requirements and other	707	707
EARNINGS APPLICABLE TO COMMON STOCK	$5,531	$4,972

See Notes to Financial Statements.

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ENTERGY MISSISSIPPI, INC.
STATEMENTS OF CASH FLOWS
For the Three Months Ended March 31, 2009 and 2008
(Unaudited)

	2009	2008
	(In Thousands)	
OPERATING ACTIVITIES		
Net income	$6,238	$5,679
Adjustments to reconcile net income to net cash flow provided by (used in) operating activities:		
Other regulatory charges (credits) - net	(41,147)	14,485
Depreciation and amortization	21,283	20,415
Deferred income taxes, investment tax credits, and non-current taxes accrued	(3,202)	(13,210)
Changes in working capital:		
Receivables	28,491	7,259
Fuel inventory	1,095	474
Accounts payable	(21,837)	(894)
Taxes accrued	(24,726)	(9,851)
Interest accrued	(3,494)	1,741
Deferred fuel costs	45,154	(29,538)
Other working capital accounts	13,063	(28,170)
Provision for estimated losses and reserves	3,427	805
Changes in other regulatory assets	(40,760)	11,551

Other	18,404	10,131
Net cash flow provided by (used in) operating activities	1,989	(9,123)
INVESTING ACTIVITIES		
Construction expenditures	(28,676)	(28,474)
Allowance for equity funds used during construction	965	776
Change in money pool receivable - net	-	9,741
Payment to storm reserve escrow account	(115)	(342)
Net cash flow used in investing activities	(27,826)	(18,299)
FINANCING ACTIVITIES		
Change in money pool payable - net	3,496	-
Changes in credit borrowings - net	25,000	-
Dividends paid:		
Common stock	(3,000)	(8,700)
Preferred stock	(707)	(707)
Net cash flow provided by (used in) financing activities	24,789	(9,407)
Net decrease in cash and cash equivalents	(1,048)	(36,829)
Cash and cash equivalents at beginning of period	1,082	40,582
Cash and cash equivalents at end of period	$34	$3,753

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid/(received) during the period for:

Interest - net of amount capitalized	13	952,456	782,626	1,018,571
Accounts payable - other	14	227,898	187,262	173,677
Accrued cost	15	287,862	236,534	294,499
Taxes payable	16	327,498	269,103	49,752
Deferred revenue	17	286,925	235,764	94,855
Total Current Liabilities		4,004,440	3,290,419	3,518,387
Long term debt	12	7,196,826	5,913,579	6,107,042
Accrued pension and post retirement liabilities	18	684,274	562,263	608,256
Deferred revenue and other liabilities	19	3,605,253	2,962,410	2,008,013
Total Non-Current Liabilities		11,486,353	9,438,252	8,723,311
Total Liabilities		15,490,793	12,728,671	12,241,698
Minority interests	20	287,802	236,485	65,199
Hydrological correction account	21	471,595	387,506	324,111
Share capital	22	3,651,000	3,000,000	3,000,000
Treasury stock	24	(59,657)	(49,020)	(43,494)
Reserves and retained earnings	25	2,392,522	1,965,918	2,202,460
Consolidated net profit	25	463,810	381,109	335,216
Total Shareholders Equity		6,447,675	5,298,007	5,494,182
Total liabilities and Shareholders equity		22,697,865	18,650,669	18,125,190

(*) Converted at 1.217 USD

See accompanying notes to the Consolidated Financial Statements

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EDP - ELECTRICIDADE DE PORTUGAL, S.A. AND SUBSIDIARIES

Consolidated Profit and Loss Account

for the years ended December 31, 2003, 2002 and 2001

	Notes	2003 USD 000 (*)	2003 Euro 000	2002 Euro 000	2001 Euro 000
Revenues					
Sales	26	7,857,391	6,456,361	5,988,140	5,299,242
Services rendered	26	634,251	521,159	398,417	351,132
		8,491,642	6,977,520	6,386,557	5,650,374
Operating costs and expenses, net					
Raw materials and consumables	26	4,771,913	3,921,046	3,687,097	3,078,864
Personnel costs	27	786,956	646,636	624,771	591,973
Depreciation and amortization	28	1,029,085	845,592	739,541	664,691
Supplies and services	29	769,774	632,518	675,070	651,230
Own work capitalized	30	(286,753)	(235,623)	(241,769)	(232,519)
Concession and power-generating rents		213,758	175,643	158,176	149,114
Provisions	31	92,134	75,706	100,645	115,986
Other operating expenses / (income)	32	12,486	10,260	(5,678)	(42,498)
		7,389,353	6,071,778	5,737,853	4,976,841
Operating Margin		1,102,289	905,742	648,704	673,533
Interest and related income	33	376,083	309,025	381,720	251,422
Interest and related expenses	33	(813,011)	(668,045)	(604,564)	(456,755)
Other non-operating income / (expenses)	34	(17,577)	(14,443)	(138,939)	125,989
Profit before tax		647,784	532,279	286,921	594,189
Provision for income taxes	35	291,173	239,255	171,168	244,012
Provision for deferred taxes	35	(53,208)	(43,721)	571	(41,059)
Profit after tax		409,819	336,745	115,182	391,236
Minority interests		(53,992)	(44,364)	(220,034)	(59,559)
Consolidated Net Profit		**463,811**	**381,109**	**335,216**	**450,795**
Net Profit per share - Basic - Euros	22	**0.15 USD**	**0.13 euros**	**0.11 euros**	**0.15 euros**

(*) Converted at 1.217 USD

See accompanying notes to the Consolidated Financial Statements

EDP - ELECTRICIDADE DE PORTUGAL, S.A. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

for the years ended December 31, 2003, 2002 and 2001

	2003 USD 000	2003 Euro 000	2002 Euro 000	2001 Euro 000
Cash Flow from Operating Activities				
Operating activities :				
Cash receipts from customers	8,362,401	6,871,324	6,215,764	5,350,306
Cash paid to suppliers	(5,178,720)	(4,255,316)	(4,085,818)	(3,336,852)
Cash paid to staff	(860,703)	(707,233)	(685,792)	(632,241)
Concession rents paid	(209,019)	(171,749)	(158,176)	(149,114)
Cash flows provided by operating activities	**2,113,959**	**1,737,026**	**1,285,978**	**1,232,099**
Income tax received / (paid)	(177,722)	(146,033)	(277,444)	(111,607)
Other variations of operating	181,338	149,004	(62,527)	121,177
	3,616	**2,971**	**(339,971)**	9,570
Cash flow before Extraordinary items	**2,117,575**	**1,739,997**	**946,007**	**1,241,669**
Proceeds in respect of extraordinary items	203,007	166,809	28,026	16,779
Payments in respect of extraordinary items	(162,113)	(133,207)	(76,363)	(37,274)
	40,894	**33,602**	**(48,337)**	**(20,495)**
Net Cash flow provided by Operating Activities	**2,158,469**	**1,773,599**	**897,670**	**1,221,174**
Cash Flow from Investing Activities				
Cash receipts resulting from:				
Investments and long term-receivables	555,950	456,820	193,377	175,839
Tangible and intangible fixed assets	40,896	33,604	77,603	5,710
Fixed assets subsidies	90,130	74,059	56,448	132,106
Interest	16,145	13,266	4,083	
Dividends	44,619	36,663	40,042	16,831
Disposal of investments in subsidiaries			315,000	
	747,740	614,412	686,553	330,486
Cash payments resulting from:				
Investments	(49,409)	(40,599)	(55,511)	(734,091)
Tangible fixed assets	(1,137,667)	(934,813)	(931,346)	(709,201)
Intangible fixed assets	(82,650)	(67,913)	(42,981)	(130,178)
Aquisition of subsidiaries and associates	(121,986)	(100,235)	(798,124)	
	(1,391,712)	(1,143,560)	(1,827,962)	(1,573,470)

Net Cash Flow used in Investing Activities	**(643,972)**	**(529,148)**	**(1,141,409)**	**(1,242,984)**
Cash Flow from Financing Activities				
Cash receipts resulting from:				
Loans obtained	16,349,978	13,434,657	12,905,666	4,639,262
	16,349,978	13,434,657	12,905,666	4,639,262
Cash payments resulting from:				
Loans repaid	(16,823,088)	(13,823,408)	(11,884,708)	(4,040,265)
Interest and similar costs	(555,036)	(456,069)	(375,734)	(254,104)
Dividends	(326,491)	(268,275)	(337,675)	(415,922)
Acquisition of treasury stock	(6,725)	(5,526)	(10,399)	(25,057)
	(17,711,340)	(14,553,278)	(12,608,516)	(4,735,348)
Net Cash Flow used in Financing Activities	**(1,361,362)**	**(1,118,621)**	**297,150**	**(96,086)**
Variation of cash and cash equivalents	**153,135**	**125,830**	**53,411**	**(117,896)**
Effect of currency translation differences	(32,836)	(26,981)	7,857	(9,681)
Cash and cash equivalents at the beginning of the period	(495,634)	(407,259)	(468,527)	(340,951)
Cash and cash equivalents at the end of the period (*)	**(375,335)**	**(308,410)**	**(407,259)**	**(468,528)**

(*) See note 4 to the Financial Statements, detailing the breakdown of Cash and Cash equivalents

See accompanying notes to the Consolidated Financial Statements

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EDP - ELECTRICIDADE DE PORTUGAL, S.A. AND SUBSIDIARIES

Changes in Consolidated Statements of Shareholders' Equity

for the years ended December 31, 2003, 2002 and 2001

	Total Shareholders Equity	Share capital	Reserves: Legal and special reserve	Reserves: and retained earnings	Fair value reserves and other valuation	Treasury stock
	(Thousands of Euros)					
Balance as at December 31, 2000	**6,204,730**	**3,000,000**	**259,641**	**2,953,127**		**(8,038)**
Transfer to reserves:						
Legal and special reserves			27,449	(27,449)		
Dividends paid (Eur 0.14 per share)	(418,990)			(418,990)		
Purchase and sale of treasury stock	(25,057)					(25,057)
Net profit for the year	450,795			450,795		
Other reserves arising on consolidation	(114,720)			(114,720)		
Balance as at December 31, 2001	**6,096,758**	**3,000,000**	**287,090**	**2,842,763**		**(33,095)**
Transfer to reserves:						
Legal and special reserves			22,541	(22,541)		
Bonus to employees	(22,073)			(22,073)		
Dividends paid (Eur 0.11 per share)	(337,675)			(337,675)		
Purchase and sale of treasury stock	(10,399)					(10,399)
Net profit for the year	335,216			335,216		
Exchange differences arising on consolidation	(300,028)			(300,028)		
Fair value of investments available for sale	(268,975)				(268,975)	
Other reserves arising on consolidation	1,358			1,358		
Balance as at December 31, 2002	**5,494,182**	**3,000,000**	**309,631**	**2,497,020**	**(268,975)**	**(43,494)**
Transfer to reserves:						
Legal and special reserves			16,760	(16,760)		
Bonus to employees	(25,062)			(25,062)		
Dividends paid (Eur 0.09 per share)	(268,275)			(268,275)		
Purchase and sale of treasury stock	(5,526)					(5,526)
Net profit for the year	381,109			381,109		
Deferred taxes (see note 8)	(252,296)			(252,296)		
Effects arising from the implementation of IAS 36 and 39 in EDP Group:						
- Financial instruments / Derivatives	131,181			131,181		
- Reclassification of impairment of BCP in 2002(*)				(247,750)	247,750	
- Fair value of investments available for sale	10,758				10,758	
- Reversion of Fair value of Iberdrola in 2002	21,223				21,223	
Exchange differences arising on consolidation	(193,032)			(193,032)		
Other reserves arising on consolidation	3,745			3,745		

Balance as at December 31, 2003	**5,298,007**	**3,000,000**	**326,391**	**2,009,880**	**10,756**	**(49,020)**

(*) This reclassification is caused by the implementation of IAS 39 and IAS 36 in 2003, specifically the application of the concept of impairment loss in the event of conditions that can be considered as being of a permanent nature. It is considered that the depreciation in value of the financial investment in BCP has these characteristics and, consequently, that the impairment loss would be recorded within retained earnings in the opening balance sheet of 2003, whilst the amount remains within equity as a fair value adjusted for 2002 in accordance with the principles of adopting new standards within the Portuguese accounting framework.

See accompanying notes to the Consolidated Financial Statements

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EDP - ELECTRICIDADE DE PORTUGAL, S.A. AND SUBSIDIARIES

Notes to the Financial Statements

December 31, 2003, 2002 and 2001

1. The business operations of the EDP Group

The EDP Group operates mainly in the Iberian and Brazilian markets in the electricity and telecommunications sectors.

Activity in the Energy Sector on the Iberian Peninsula

In Portugal, the National Electricity System (SEN) is based on the coexistence of a Public Service Electricity System (SEP) and of an Independent Electricity System (SEI), the latter comprising the Non-binding Electricity System (SENV) and the Special Regime Producers (PRE).

The SEP comprises the National Transport Network (RNT), Binding Producers, Binding Distributors and Binding Customers. The RNT, under concession to REN - Rede Eléctrica Nacional, S.A., is in charge with providing electricity transport and with the overall technical management of the SEP. Binding Producers are tied to RNT by long-term exclusive supply contracts. Binding Distributors are obliged to supply their customers in accordance with fixed prices, under the law, by the Energy Services Regulatory Entity (ERSE). Binding Customers are entities and individuals that cannot opt for a SENV supplier (currently low-tension consumers), or either those that are able to do so, but opt to acquire electricity from their respective binding distributor under conditions determined by the ERSE. The SENV essentially comprises Non-binding Producers and Non-binding Customers, the latter being entitled to use the SEP networks using fixed tariffs determined by ERSE under the terms of the law.

Special Regime Producers operate in the renewable energies and cogeneration areas, delivering their electricity to the SEP networks under special legislation. In accordance with the law, the ERSE is in charge with exercising the regulation of the sector, through the preparation, issue, and application of regulations, and also through the definition of the tariffs both for the use of infrastructure and for the supply of electricity to SEP customers. Through the generation and distribution companies, the EDP Group plays a fundamental role in the entire SEN, and has a relevant position within the SEP, and also owns generation companies that operate within the SEI both at the level of the SENV and at the level of the PREs.

In Spain, the EDP Group has a 40% shareholding in Group Hidroeléctrica del Cantábrico, S.A. (Hidrocantábrico), a company in which it undertakes operational management. Hidrocantábrico is the parent company that carries on the business in the electricity (generation, transport, distribution and supply), gas (distribution and supply) and telecommunications sectors. This EDP shareholding in Hidrocantábrico constitutes part of a reasoning for the integration and consolidation of the Iberian energy market.

Activity in the Energy Sector in Brazil

In Brazil, the EDP Group operates in the electricity sector, namely in generation, distribution and supply. In distribution it has a 96.5% shareholding in Bandeirante Energia S.A., and 99.97% of IVEN, S.A., which controls Escelsa Espírito Santo Centrais Eléctricas, S.A., and Enersul Empresa Energética do Mato Grosso do Sul S.A.

In the electricity generation sector, the EDP Group has holdings in Usina Hidroeléctrica (UHE), Lajeado (27.65%), Usina Termoeléctrica (UTE) and Fafen (79.6%); in partnership with the Rede Group of Brazil was successful in the auctions for the concession of the construction and operation of Peixe Angical and Couto Magalhães hydroelectric power stations.

In the supply business, in addition to the business carried on by the distribution companies, the EDP Group operates in the electricity trading market through Enertrade, a wholly owned Group company.

Low-tension Electricity Distribution Concession Regime

In accordance with specific legislation (Decree-Law 344-B/82), the right to distribute low-tension electricity in Portugal is in the hands of the municipalities (local authorities). However, EDP is allowed to carry on this activity, under concession, by entering into concession contracts generally with a 20 year term, which can be revoked with 2 years notice. Since 1994, when EDP was restructured as a Group by splitting into new companies, these concession terms were maintained in relation to the 4 electricity distribution companies set-up at that time and later merged in 2000 into EDP Distribuição S.A. In respect to these concessions, a rent is paid to the concessor municipalities.

Activity in the Telecommunications Sector

In the telecommunications sector, the EDP Group holds 56.03% of the share capital of ONI SGPS (ONI), the remaining capital is held by BCP, GALP Energia and Brisa. ONI operates in fixed telecommunications, providing voice and data services in the Portuguese market (both corporate and residential customers) and in the Spanish market (in the corporate segment).

Activity in the Information Technologies Sector

The EDP Group operates in the information technologies through EDINFOR - Sistemas Informáticos S.A., a wholly owned subsidiary which holds 57.8% of ACE, engaged namely in consultancy, systems integration, processing, application outsourcing, IT infrastructure, georeferenced solutions, printing solutions, and finishing.

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EDP - Electricidade de Portugal, S.A. and Subsidiaries

Notes to the Financial Statements

December 31, 2003, 2002 and 2001

Public Domain Assets

In Portugal some fixed assets allocated to electricity generation and distribution within the SEP are subject to the public domain regime. Howhever, EDP has the authority to operate and manage these assets in the binding sector only, and never for any other purpose. In Brazil the fixed assets used in the distribution and supply of electricity are tied to those services and cannot be withdrawn, sold, assigned or mortgaged without the prior express consent of the Regulator. ANEEL has already created regulations releasing the assets of the Public Electricity Service concessions, granting prior authorisation for the release of assets of no use to the concession, provided they are to be sold, further determining that the product of the sale be deposited in a tied bank account, to be used in the concession.

2. Accounting policies

a) Basis of presentation

The Group s parent company, EDP Electricidade de Portugal, S.A. (hereinafter known as EDP), was incorporated in 1976 as a consequence of the nationalisation and consequent merger of the principal companies of the electricity sector operating in mainland Portugal. Its registered office is in Lisbon at Praça Marquês de Pombal, 12, 6º. During 1994, as established by Decree-Law 7/91 and 131/94, the EDP Group was established (hereinafter known as EDP Group or Group) following the split of EDP, which led to a number of subsidiaries wholly owned by EDP itself, directly or indirectly. The Group s businesses are currently focused on the generation, distribution and supply of electricity, on the distribution and supply of gas, on telecommunications and on information technologies. Although complementary, the Group currently operates as well in related areas such as water, engineering, laboratory tests, vocational training and property management.

The Consolidated Financial Statements of the EDP Group have been prepared in accordance with accounting principles generally accepted in Portugal (Portuguese GAAP), except as provided in notes 9, 18, 37 and 39, particularly as a result of the adoption of International Accounting Standards IAS 19, IAS 22, IAS 32, IAS 36 and IAS 39. The Consolidated Financial Statements have been prepared from the accounting records of EDP and its subsidiary companies listed below. Portuguese GAAP differs in certain significant respects from generally accepted accounting principles in the United States of America (U.S. GAAP). A description of these differences and their effects on consolidated net income and shareholders equity are set forth in Note 40. The financial statements also include certain reclassifications and additional disclosures in order to conform more closely to the form and content of financial statements required by the Securities and Exchange Commission of the United States of America.

The accounting standards are consistent with those applied in the previous year, except for the changes resulting from the early adoption of IAS 32, IAS 36 and IAS 39.

The translation of the euro amounts into U.S. dollars is disclosed in the accompanying financial statements solely for the convenience of the readers and has been made at the rate of US$ 1,217 to Euro 1.00, the exchange rate at June 24, 2004. No representation is made that the euro amounts could have been, or could be, converted into U.S. dollars at that or any other rate.

The preparation of the financial statements in conformity with Portuguese GAAP, together with the reconciliation to U.S. GAAP, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Some of the more significant estimates and assumptions relate to the hydrological correction account, depreciation and impairment of long lived assets, fair value of financial investments, provision for employee retirement benefits and deferred taxes. Actual results could differ from those estimates.

c) Basis of consolidation

The consolidated financial statements reflect the assets, liabilities and results of EDP, S.A., and of its subsidiary companies, as defined in Note 7, and the proportional part of assets, liabilities and results of joint ventures in respect of the years ended December 31, 2003 and 2002.

Shareholdings in subsidiaries

Shareholdings in subsidiaries and in companies in which the Group directly or indirectly holds more than 50% of the voting rights at General Meetings of Shareholders or is able to control the financial and operating policies of a company have been included in the consolidated financial statements using the purchase method. The subsidiaries are included in the consolidation as from the date on which control is acquired up to the date on which it actually ends. The purchase method is used in accounting for the acquisition of subsidiaries. The acquisition cost corresponds to the fair value of the assets delivered, shares issued and liabilities assumed on the date of acquisition, plus those costs directly attributable to the acquisition.

Intra-group transactions, dividends distributed between Group companies, balances and unrealized gains on transactions between Group companies are eliminated. The value corresponding to the third-party holdings is carried under minority interests. The results of subsidiaries acquired or sold during the year are included in the profit and loss account from the date they are included in the consolidation perimeter up to the date of their sale. The companies consolidated using the purchase method are detailed in Note 9.

Shareholdings in associate companies under the form of joint control

The interests of the Group in jointly-controlled entities are consolidated using the proportional method, namely Hidrocantábrico. The Group consolidates its proportion of costs and revenues, of the assets and liabilities and of the cash flows of the joint undertakings on a line-by-line basis with the respective similar components of the Group s financial statements.

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Shareholdings in associated companies

Investments in associated companies are carried at the value resulting from the application of the equity method criteria. The differentials attributed by way of fair values are addicionally considered. In accordance with this method, the consolidated financial statements include the Group s share of the total gains and losses recognised from the date on which significant influence begins up to the date on which it actually ends. Associates are entities in which the Group holds between 20% and 50% of the voting rights, or over which the Group has significant influence, although cannot exercise control over them. Unrealised gains or losses on transactions between the Group and its associates are eliminated.

The Group s investment in associates includes goodwill (net of accumulated amortisation) on the acquisition. When the share of the losses of an associate exceeds the investment in the associate, the Group recognises additional losses, if the Group shall have to incur in additional liabilities in benefit of the associate.

Shareholdings in subsidiaries resident abroad

In the consolidation, the value of assets and liabilities of subsidiaries resident abroad are recorded at their value in euros translated at the official exchange rates ruling on the balance sheet date. The results of the subsidiaries are consolidated using their value in euros at the average monthly exchange rate for the year. Currency differences resulting from translation into euros of the balance sheet at the beginning of the year and of the results of the year, at the official exchange rate ruling on the balance sheet date, are recorded against reserves.

Goodwill

The Goodwill arising from the acquisition of shareholdings in subsidiaries and associates is defined as the difference between cost and the proportional fair value of the assets acquired. Positive Goodwill is recorded under intangible assets and amortized over the estimated useful life, usually of 20 years. Negative Goodwill is recorded in the same way, unless it can be attributed to future losses or to items of fixed assets. The value of the Goodwill carried on the balance sheet, as an intangible fixed asset, is reviewed annually, and adjustments are made in respect of permanent loss of value as necessary.

Concession rights in Brazil (investments in Bandeirante, Escelsa and Enersul)

The Concession rights in Brazil, namely the investments in Bandeirante, Escelsa and Enersul, are the result of the application of calculations and methodologies identical to those of the Goodwill, that is, the difference between the cost and the proportional fair value of the assets acquired. Concession rights are recorded under intangible fixed assets and are amortized over the useful life of the concession, usually of 30 years.

d) Investments Implementation by the EDP Group of International Accounting Standard 39 to financial instruments

Departing from accounting principles generally accepted in Portugal, the EDP Group has made early implementation of International Accounting Standard 39 - Recognition and Measurement of financial instruments during fiscal year of 2003, having calculated the retroactive effects as to December 31, 2002. Consequently, the EDP Group classifies its investments in accordance with this international accounting standard, particularly with regard to the types of financial instruments and their recognition and measurement, carrying them under the following categories of financial assets: Trading; Held to maturity; and Available for sale. The classification depends on the purpose for which the investments were acquired.

The Board of Directors determines the classification of these investments on the date of acquisition and re-assesses this classification on a regular basis.

Trading account securities

Investments acquired primarily for the purpose of being traded in the very short term are classified as Trading Securities and are recorded as current assets. For the purpose of these consolidated financial statements, short term is defined as 3 months. Realized and unrealized gains and losses caused by changes to the fair value of trading securities are recorded in the profit and loss account during the period in which they occur.

Medium and long-term investment portfolio (investment securities available for sale)

Investments expected to be held for an undetermined period of time and that can be sold to meet liquidity requirements or in the event of changes to interest rates, are classified as Available for sale under non-current assets, unless the board of directors has the express intention of holding the investments during a period of less than 12 months from the balance sheet date or if there is a need to sell them to generate operating capital, in which case they are carried under current assets. Acquisition cost includes transaction costs. Investments available for sale are accounted at their fair value.

Unrealised gains and losses caused by changes to the fair value of investments classified as available for sale are recognised against reserves. The fair value of investments is based on the listed prices or on amounts derived from cash-flow models. The fair values of unlisted shareholders equity instruments are estimated using applicable price/earnings or price/cash-flow ratios, adjusted to reflect any specific circumstances of the securities issuers. Shares for which fair values cannot be reliably measured are recognised at cost less impairment losses.

When instruments classified as available for sale are sold or subject to impairment losses, the cumulative adjustments of fair value are accounted in the profit and loss account as gains or losses.

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e) Impairment of long-term assets

In addition to implementation of IAS 39, the EDP Group has implemented IAS 36, which deals with impairments. Tangible fixed assets and other non-current assets, including goodwill, concession rights and intangible fixed assets, are subject to annual review to determine the existence or otherwise of impairment when events or circumstances indicate that their carrying amount cannot be recovered. An impairment loss is recognised for the excess of the carrying amount of an asset over its recoverable amount, which is defined as the greater of the net value of the sale of the asset and its value in use. For the evaluation of possible impairment, assets are grouped together in the smallest identifiable group of assets generating separate cash flows.

f) Assets and liabilities expressed in foreign currencies

All assets and liabilities expressed in foreign currency have been translated into euros using the exchange rate ruling on the balance sheet date. Favourable and unfavourable currency translation differences caused by differences between the exchange rate ruling on the date of the transaction and those ruling on the collection, payment or balance sheet date are recorded as gains or losses in the profit and loss account.

g) Tangible fixed assets

Fixed assets owned by the Group

Tangible fixed assets, except those assets existing at the time of the split of EDP in 1994, which are carried at the amounts resulting from the valuation undertaken in 1992, are recorded at cost (acquisition or construction), net of accumulated depreciation. Fixed assets include financial costs and currency translation differences capitalised during the construction stage, resulting from loans taken out to finance them, as well as overheads.

Fixed assets contributed in kind/cash by third parties are amortized on the same basis and at the same rates as the Group s other fixed assets, the respective counter costs compensated in extraordinary income, by the straight-line amortisation of such compensation (recorded under Accruals & Deferrals - Investment Subsidies) on the same basis and at the same rates as the respective contributed fixed assets. Current fixed asset repair and maintenance costs are considered costs for the year in which they are incurred. Expenditures on major repairs and improvements are treated as deferred costs and are amortised over a maximum period of 6 years.

The depreciation and amortisation rates are calculated on the straight-line basis taking into consideration the useful life of each type of fixed assets analysed as follows:

	Rates in Years
Buildings and related improvements	8-50
Plant, machinery and equipment:	
Hydroelectric generation	32-60
Thermoelectric generation	25-30
Renewables generation	30
Distribution	10-30
Other plant and equipment	5-10
Transport equipment	4-25
Administrative equipment	4-10
Other fixed assets	10-25

Fixed assets allocated to the EDP Distribuição concessions

Under the terms of Decree-Law 344-B/82, as mentioned in note 1, low-tension electricity distribution concessions do not involve the sale of the assets of the concessor municipalities, which remain their property, without prejudice to their allocation to operation by the Group. In accordance with the foregoing, the fixed assets allocated to the concession are carried under tangible fixed assets, with a contra entry under medium-and long-term liabilities (Other Debtors and Creditors - DL 344-B/82 Regularisation Account).

The amounts of these fixed assets are carried at the costs arising from the valuation made in 1992, net of accumulated depreciation. The fixed assets allocated to the concession are amortised on the same basis and at the same rates as those of the Company s own fixed assets, the respective cost being compensated under extraordinary income (Note 27), by the reduction, on an equal amount, of the liability towards Municipalities carried under liabilities. The Group is responsible for the maintenance and repair of these fixed assets during the life of the concession contract, the costs being recorded in the same basis with those of the Group s own fixed assets.

Multipurpose Hydroelectric Plants of Companhia Portuguesa de Produção de Electricidade (CPPE)

Multipurpose Hydroelectric Plants correspond to that part of the hydroelectric power stations built by the Group that is used for sundry purposes that do not lie within the scope of its electricity generating business (irrigation, water supplies to the population, etc.), and for this reason they are subsidised by the State. These fixed assets are carried at construction cost, which includes overheads, as indicated for the Group s own fixed assets. These fixed assets are not amortised. The value attributed to the investment for which the State is responsible in multipurpose hydroelectric plants has been determined by application of provisional percentages to the accumulated direct costs of these facilities. Part funding received from State in respect of these facilities is carried under medium-and long-term liabilities.

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h) Financial investments in properties

Financial investments in Properties are carried at the amount of the valuation undertaken during 1992, the difference between this and historic costs have been recorded under revaluation reserves. These investments are amortised over the useful life of the property.

i) Intangible fixed assets

Excluding the goodwill and the concession rights in Brazil balances, intangible fixed assets include set-up costs, research and development costs, and intellectual property and other rights. These balances are amortized using the straight-line method over a period of three to six years.

Those investments that increase the performance of software programs over and above their original specifications are added to the original cost of the software. Software development costs recognised as assets are amortised using the straight-line method over their useful life, generally 3 to 6 years. The Group s major corporate, information and managements IT systems developed on SAP platforms are amortised using the straight-line method over their useful life of 10 years.

j) Deferred costs

Deferred costs stated within other assets in the accompanying balance sheet, include amounts incurred in connection with the issuance of long term debt and major repairs and improvements to fixed assets. Debt issuance costs are amortized over the term of the bonds or long term debt. Costs for major repairs and improvements are amortized over a maximum period of six years.

k) Inventories

Stocks are carried at cost or at market price if less than cost, warehouse outgoings (consumption) are valued at average cost.

l) Recognition of costs and revenues

Costs and revenues are recorded during the year to which they relate regardless of when paid or received. Differences between amounts received and paid and the corresponding revenue and expenditure are recorded under accruals and deferrals. Revenues comprises the amounts invoiced on the sale of products or of services provided, net of value added tax, rebates and discounts, after elimination of intra-group sales. The invoicing of electricity sales is undertaken on a monthly basis. Monthly electricity invoices are based on real meter reading or on estimated consumptions based on the historic data of each consumer. In Portugal ERSE establishes the SEP electricity tariffs.

Revenues from the telecommunications businesses are recorded in the period which they occured. These services are billed monthly and invoiced based on real meter reading or on estimated consumptions based on actual traffic.

Interest earned is recognised using the accrual accounting principle, taking into account the amount owed and the real interest-rate during the period to maturity. Dividends are recognised based on a cash basis.

m) Accounts receivable

Accounts receivable are recorded at their net realisable amount, considering the necessary provisions for doubtful debt. These provisions are quantified and recorded based of the valuation of estimated losses from non-collection of accounts receivable at the end of each year.

n) Liabilities for holiday pay and holiday subsidies

The amount of liabilities for holiday pay and holiday subsidies and the respective Social Security charges for the current year, payable in the following year, are recorded as costs of the current year, against accrued costs.

o) Social benefits extended to EDP Group employees

The Group records costs resulting from pensions and associated charges in accordance with the IAS 19, replacing the Portuguese Accounting Directive 19, that results from the adoption to Portuguese law of the earlier version of IAS19. Social benefits are detailed in Note 18 to the consolidated financial statements, as is the quantification of the effects of such alteration.

EDP and some of its subsidiaries have a commitment to supplement retirement and survivors pensions to the extent that these are not covered by the government s social security plan. Employees may apply for early retirement, subject to certain conditions relating to applicable regulations namely pre-defined age and length of service requirements being met.

Pension costs for defined benefit plans are recorded using the projected unit credit method. Under this method, the cost of providing pensions is charged to the profit and loss account to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who carry out a full valuation of the plans every year. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities that have terms to maturity approximating the terms of the related liability. Pension costs for defined contribution plans are expensed to income as incurred.

Wherever post-retirement medical assistance is also provided to retirees, the entitlement to these benefits is usually based on the employee remaining in service up to retirement age. The expected costs of these benefits are accrued over the period of employment, using an accounting method similar to that for defined benefit pension plans. Independent qualified actuaries perform valuations of these obligations.

The assets of these plans are held in separate trustee-administered funds. The pension plans are generally funded by payments from the relevant Group companies, taking into account the recommendations of the independent qualified actuaries.

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p) Hydrological correction account

The hydrological correction account constitutes a legally mandated mechanism for compensating the variable costs of electric-power generation. In low rainfall years, the thermoelectric generating system is over-utilized and consequently, expenditure on fuel and electricity imports increases substantially. In years with abundant rainfall the opposite occurs. Tariffs can not be modified to take into account the changes in variable costs incurred resulting from hydrological conditions. In this context and with a view to avoiding major distortions in operating results due to favorable or unfavorable hydrological conditions, the hydrological correction account is adjusted upwards or downwards based upon average hydrological conditions.

The annual changes in the hydrological correction account consist of the following:

the difference between the economic costs of generating electricity and the economic reference costs is charged to REN for inclusion in the Binding Sector costs (prior to June 2000 this difference was charged to the income statement);

a financial charge associated with the hydrological correction account s accumulated balance;

an adjustment, which may be either an income or an expense item, corresponding to the amount necessary to make the expected balance, in a time scale of 10 years, equal to an adequate reference level.

The amount of the accumulated balance and the movements during the year are approved by the Government on an annual basis.

q) Own work capitalized

Using specific criteria, costs incurred by the Group (essentially materials, staff costs and financial charges) in the construction of fixed assets on a cost-plus basis, which are recorded in the profit and loss account by nature of expense, are included under fixed assets with a contra entry in this account.

r) Treasury stock

The EDP Group periodically acquires own shares mainly to satisfy obligations in connection with Company stock option plans. Shares acquired are recorded at acquisition cost.

s) Dividends payable

Dividends payable are recorded in the Group s financial statements during the year in which they are approved by the shareholders of the parent company EDP, S.A.

t) Statements of cash flows

The statements of cash flows are prepared using the direct and indirect methods.

Cash and cash equivalents presented on the balance sheets represent highly liquid investments purchased with original maturities of three months or less. Cash and equivalents in the statements of cash flows include cash and cash equivalents, net of bank overdrafts.

u) Taxation

Income tax is calculated on the basis of the taxable income of companies included in the consolidation and considers deferred taxation. Deferred taxes are calculated, using the balance sheet liability method, on the temporary differences between the book values of assets and liabilities and their respective taxable bases.

The taxable base of assets and liabilities is determined so as to reflect the consequences of taxation resulting from the way in which the company expects, on the balance sheet date, to recover or to pay the recorded amount of its assets and liabilities. In determining deferred tax, the rate in effect or substantially activated on the balance sheet date in used. Recognised deferred tax assets are reduced to the recoverable amount that can be conpensated against future expected profits.

3. Financial-risk management policies

Financial-risk management

The businesses of the EDP Group are exposed to a variety of financial risks, including the effects of changes to market prices, exchange rates and interest rates. The Group s exposure to financial risks lies essentially in its debt and derivatives portfolio, arising from the interest-rate risk, the exchange-rate risk and, to a limited extent, the risk of non-compliance by the counterparty in each operation.

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The maturity of the financial markets is analysed on an ongoing basis in accordance with the Group s risk management policy. To minimise potential adverse effects on its financial performance, interest-rate and/or exchange-rate and derivatives instruments are employed, including collars (floors and caps).

The management of the financial risks of EDP, SA, and of EDP Finance, B.V. (and other entities) are undertaken by the central treasury in accordance with policies approved by the board of directors. Central treasury identifies, evaluates and submits to the Board for approval hedging mechanisms appropriate to each exposure. The board of directors is responsible for the definition of general risk-management principles and of exposure limits. All transactions undertaken using derivatives instruments require the prior approval of the board of directors, which defines the parameters of each transaction and approves formal documents describing the objectives.

Exchange-rate risk management

The Group operates internationally and is exposed to exchange-rate risk resulting from exposure to various currencies, mainly U.S. dollars and Brazilian reais. Currently, the exposure to the USD/EUR currency fluctuation risk results from the Brazilian companies that have financial debt expressed in US dollars. Debt contracted by the holding company is fully denominated in euros. Bonds issued by EDP Finance BV under the Medium Term Notes Programme in JPY and GBP are immediately converted into euros on the date of issue and to floating interest-rates through exchange-rate and interest-rate derivatives. Central Treasury is responsible for monitoring the evolution of the currencies referred above, seeking to mitigate the impact of currency fluctuations on the financial costs of the Group companies and, consequently on consolidated net profit, using exchange-rate derivatives and/or other hedging instruments, and restructuring these debts if required.

The Brazilian subsidiaries exposed to USD/BRL currency fluctuation through their debt in U.S. dollars use forward rate agreements and currency swaps to hedge this risk. Additionally, investments in the Brazilian subsidiaries, whose net assets are exposed to exchange-rate risks, are monitored through analysis of the evolution of the BRL/EUR exchange-rate. Given the long-term nature of investments in the Brazilian subsidiaries, the Group has decided not to use financial instruments to hedge the exchange-rate risk inherent to the investment in these subsidiaries. This position is further strengthened by the short-term nature of the exchange-rate fluctuations that have been seen. Nevertheless, these investment positions are duly monitored, taking into consideration the evolution of the respective exchange rates.

The policy implemented by the EDP Group consists of undertaking derivatives operations for the purpose of hedging risks with characteristics similar to those of hedged liability. The operations are monitored throughout their useful life and, periodically, their effectiveness in controlling and hedging the risk that gave rise to them is evaluated. At the same time, these operations are revalued to market on an ongoing basis.

Interest-rate risk management

The Group s operating and financing cash flows are substantially independent from fluctuation of the interest-rate markets. The Group has no substantial volume of interest-earning assets. The aims of the interest-rate risk management policies are: i) to reduce debt financial charges and, subsequently; ii) to immunise the cash flows from debt market fluctuations by the settlement of derivatives instruments to fix the debt rates (swaps and caps), taking into consideration a comfortable margin compared with its regulated operating cash flows. Therefore, in floating-rate financing, the Group settles interest-rate instruments and derivatives to hedge cash flows associated with future interest payments, which have the effect of converting floating-interest rate loans into fixed-interest rate loans. Long-term loans settled at fixed rates are, when appropriate, converted into floating rates through interest-rate instruments and derivatives designed to reduce financial charges and to level them to market conditions. In addition to these derivatives operations, more structured collar operations are settled, as necessary, to mitigate exposure of debt cash flows to market rate fluctuations.

All these operations are undertaken on liabilities in the Group s debt portfolio and mainly involve perfect hedging, through matching the periodicity of payments/revenues between the operations and also considering their principal repayment profiles. The Group has a portfolio of interest-rate derivatives with maturities between approximately 1 and 15 years, and does not intend to cancel them before the date initially planned. The Group s Central Treasury undertakes sensitivity analyses of the fair value of financial instruments to interest-rate fluctuations.

Counter party credit-rate risk management in financial transactions

The EDP Group policy in terms of the counter party risk of financial transactions is governed by an analysis of the technical capacity, competitiveness, credit notation and exposure of each counter-party, avoiding significant concentrations of credit risks. Counter parties in derivatives and financial transactions are restricted to high-quality credit institutions, therefore, the Group does not believe that there is significant risk of counter party non-compliance. No collateral is required in these transactions.

The Group has adopted the best market practices in respect of documentation of its financial transactions. To this end, all derivatives operations are contracted under the ISDA Master Agreements, and bond issues are undertaken under a Debt Instrument Issue Programme. Regarding the third-party debt generated by the Group s day-to-day business, the credit risks arise essentially from the legal obligation of providing continuous low-tension electricity to municipalities that normally incur delays insofar as payment is concerned. This risk is considered to be mitigated by the large number of customers and their diversity in terms of sectors of activity and by the large volume of residential customers.

Liquidity risk

The EDP Group undertakes prudent management of the liquidity risk, contracting and maintaining credit lines and financing facilities with a firm underwriting commitment by national and international financial institutions of high credit rating notation, allowing immediate, flexible access to funds. These lines are used to complement and backup national and international commercial paper programmes, allowing the Group s short-term financing sources to be diversified.

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Accounting for financial instruments

The EDP Group implemented early International Accounting Standard 39 Recognition and Measurement of Financial Instruments , or IAS 39, for fiscal year 2003, having calculated the retroactive effects from December 31, 2002. Consequently, we classified our investments in accordance with this IAS 39, particularly with regard to the types of financial instruments and their recognition and measurement, carrying them under the following categories of financial assets: trading, held to maturity and available for sale. The classification depends on the purpose for which the investments were acquired. Our board of directors determines the classification of these investments on the date of acquisition and re-assesses this classification on a regular basis.

Changes in the fair value of derivatives identified as fair-value hedging instruments qualified as effective, are recognised as a gain or loss and taken to the profit and loss account together with the changes in the fair value of the asset or liability for which the hedging risk was attributed.

Changes in the fair value of derivatives identified and classified as cash-flow hedging instruments are recognised against reserves. When the planned transaction or firm commitment leads to recognition of an asset or liability, the gains and losses previously recorded against reserves are included in the initial measurement of the cost of the respective asset or liability. In any other case, the amounts recorded against reserves are transferred to the profit and loss account and classified as income or expense during the period in which the firm commitment or planned transaction impacted on the profit and loss account. For any transaction which, despite economic hedging in accordance with the Group s risk-management policies, is not classified as hedging in accordance with IAS 39, the gains and losses are recognised in the profit and loss account during the period to which they refer.

On the date on which the hedging instruments expires or is sold, or when the hedging transaction no longer meets the requirements for hedge accounting in accordance with IAS 39, any cumulative gain or loss recorded against reserves is maintained until such time as the planned transaction or firm commitment is recognised the profit and loss account. If the planned transaction or firm commitment is no longer expected, the cumulative gain or loss reported against reserves is transferred to the profit and loss account.

The hedging of a net investment in a foreign entity is recorded in a manner similar to cash-flow hedging. If the hedging instrument is a derivative, any gain or loss on the hedging instrument in respect of the effective part of the hedge is recognised against reserves. The gain or loss on the ineffective part is recognised immediately in the profit and loss account. However, if the hedging instrument is not a derivative, all gains and losses on exchange-rate fluctuations are recognised against reserves.

To achive hedge accounting on the date of commencement of the transaction, the Group documents the relationship between the hedging instrument and the hedged items, as well as the respective risk-management objectives and strategies underlying the respective hedging transactions. This process includes the link between all derivatives identified as hedging instruments for assets and liabilities or for specific transactions or firm commitments. The Group also documents in its evaluation, at the inception of the hedge and during the life of the hedge, whether the derivatives used in the hedging transactions are highly effective to compensate the fair value or the cash flows of the hedged items.

Estimate of the fair value of financial instruments

The fair value of derivatives traded on liquid markets and of assets available for sale is based on their listed prices on the balance sheet date. The fair value of interest-rate swaps is calculated on the basis of the present value of future estimated cash flows.

The estimated value of future cash flows is used to determine the fair value of other financial instruments. The book values of financial assets and liabilities with a maturity of less than one year are assumed to be close to their fair values.

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4. Cash and cash equivalents

The balance **Cash and cash equivalents** is analysed as follows:

	Group	
	2003	**2002**
	Euro 000	**Euro 000**
Cash:		
- Cash in hand	20,375	1,427
	20,375	1,427
Bank deposits:		
- Current deposits	116,205	27,428
- Short term deposits	6,963	9,860
	123,168	37,288
Negotiable securities:		
- Other securities	56,291	92,691
	56,291	92,691
Other treasury placements:		
- Financial products at domestic banks	85,300	82,367
- Financial products at foreign banks	2,368	206
	87,668	82,573
Provision	(6)	(6)
	287,496	213,973

With reference to the consolidated statement of cash flows, the breakdown for the purpose of determination and detailing the Cash and Cash equivalents components, is as follows:

	Group	
	2003	**2002**
	Euro 000	**Euro 000**
Cash components:		
- Cash	20,375	1,427
- Bank deposits	123,168	37,288
- Negotiable securities	56,291	92,691
	199,834	131,406
Cash equivalents:		
- Other treasury securities	87,668	82,573
- Overdrafts	(595,912)	(621,238)
	(508,244)	(538,665)
Cash and cash equivalents	(308,410)	(407,259)

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5. Accounts receivable - Trade, net

This balance **Accounts receivable - Trade, net** is analysed as follows:

	Group	
	2003 Euro 000	2002 Euro 000
Resident customers:		
State and official entities	36,234	29,353
Local authorities	31,041	32,652
Corporate sector and individuals	789,986	651,686
Unbilled receivables	85,193	106,227
Trade accounts - bills receivable	46	14
	942,500	819,932
Non-resident customers:		
Corporate sector and individuals	158,490	142,280
	158,490	142,280
	1,100,990	962,212
Doubtful debt	188,689	159,511
Provision for doubtful debt	(181,615)	(150,863)
	1,108,064	970,860

6. Accounts receivable - Other, net

This balance is analysed as follows:

Group

	2003 Euro 000	2002 Euro 000
Other accounts receivable - Short term / Current		
State and other public entities:		
- Income tax	73,398	
- Value added tax	100,730	102,657
- Other taxes	5,647	17,762
Other related companies	1,178	
Advances to suppliers	2,478	3,298
Other debtors:		
- Account with the Pension Fund	12,120	12,075
- Performance bonds and tied deposits		13,878
- Amounts owed to staff	8,536	7,092
- Amounts owed by the State and Concessors	6,879	9,523
- Debtors in respect of other goods and services	102,934	163,041
- Regulatory assets	51,732	51,062
- NAG/EDP Protocol - Alqueva	26,082	
- Other debtors and sundry operations	7,344	136,724
	399,058	517,112
Provision for short-term debtors	(9,335)	(13,901)
	389,723	503,211
Accrued income		
- Interest receivable	193,234	137,575
- For sales and services provided	7,368	49,997
- From hydrological correction account		16,113
- Other accrued income	61,518	33,647
	262,120	237,332
	651,843	740,543

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EDP - Electricidade de Portugal, S.A. and Subsidiaries

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7. Inventories

This balance is analysed as follows:

	Group	
	2003 **Euro 000**	**2002** **Euro 000**
Merchandise	15,794	10,143
Purchases and advances on account of purchases	2,291	5,864
Finished and intermediate products	569	583
Products and work in progress	3,648	4,863
Sub-products, waste, residues and scrap	1,989	
Raw and subsidiary materials and consumables:		
Coal	24,920	38,827
Fuel	47,530	46,985
Other consumables	62,495	44,220
	159,236	151,485
Provision for inventories		(1,180)
	159,236	150,305

8. Long term receivables, net

The balance **Long term receivables, net** is analysed as follows:

	Group	
	2003 **Euro 000**	**2002** **Euro 000**
Trade accounts receivable - Medium and long-term / Non Current:		
Resident customers:		

Customers - Local government - Debt at December 31, 1988 (i)	181,689	185,343
Corporate sector and individuals	5,017	
Trade accounts - bills receivable	413	
	187,119	185,343
Provision for local government customers at December 31, 1988	(101,322)	(101,322)
	85,797	84,021
Trade accounts receivable - Medium and long term / Non Current		
Other related companies		18,744
Other debtors:		
- Fixed assets in compensated integration (ii)	9,270	19,246
- Regulatory assets (iii)	275,608	71,290
- Performance bonds and tied deposits	44,991	29,771
- Other debtors and sundry operations	20,176	49,933
	350,045	188,984
Provision for medium-/long-term debtors - Non current		(12,421)
	350,045	176,563
	435,842	260,584

(i) The amount of this heading is shown net of the compensation of debits related to assets undergoing integration to be transferred to the Group and of the rents owed by the Group on that date.

(ii) Compensated fixed assets undergoing integration correspond to the net amounts, on integration date, of the debts of local authorities up to December 31, 1988, compensated by means of the respective assets undergoing integration (Tangible Fixed Assets under the regime of Decree-law 344-B/82). The transfer of these amounts to tangible fixed assets is awaiting formalisation of the concession contracts or debt regularisation protocols to be entered into by EDP and the local authorities.

(iii) The regulatory assets heading shows the costs associated with the 2003 Human Resources Rationalisation Plan, which were accepted by the Energy Services Regulatory Entity as an investment amortizable over a period of 20 years, beginning in 2005.

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EDP - Electricidade de Portugal, S.A. and Subsidiaries

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9. Investments

This balance is analysed as follows:

	Group	
	2003	**2002**
	Euro 000	**Euro 000**
Shareholdings		
Subsidiary companies	1,305	202,518
Associate companies	441,449	483,295
Medium/long-term investments (available for sale)	1,293,517	1,314,863
Other companies	58,441	81,635
	1,794,712	2,082,311
Investment in properties		
Buildings and other constructions	1,417	536
	1,417	536
Other financial investments		
Bank deposits		58
Public debt securities	19	19
Other securities	70,143	86,442
Other financial investments	4,029	5,085
Amounts recoverable for the sale of Oniway	39,667	70,000
Fixed assets in progress		2
	113,858	161,606
	1,909,987	2,244,453
Provision for financial assets :		
Shareholdings	(285,790)	(276,734)
Other financial investments	(1,391)	(1,391)
	(287,181)	(278,125)
Amortization of investment in properties	(355)	(344)

	(355)	(344)
	(287,536)	(278,469)
	1,622,451	1,965,984

The financial investment in CERJ - Companhia de Electricidade do Estado do Rio de Janeiro SA, is carried net of the value of Goodwill amortized up to the year 2000, until which time the EDP Group held significant influence allowing it to account for the investment with the equity method. As of January 1, 2001, the EDP Group no longer holds such influence, holding since then 11.27% of the share capital. In accordance with the Portuguese Official Plan of Accounts, under these circumstances the equity method is no longer applicable, and the financial investment is therefore carried in the books as a cost method investment.

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The breakdown of **Shareholdings** is analysed as follows:

	Group	
	2003 Euro 000	2002 Euro 000
Investment in subsidiary companies:		
EDP Investimendos, Lda		32,698
Calibre		137,898
135 Participações		3,093
Electra de Cabo Verde		27,213
Other	1,305	1,616
	1,305	202,518
Investment in associated companies:		
DECA - Distribucion Eléctrica Centroamerica, SA	67,894	68,423
Companhia de Electricidade de Macau	65,129	
REN - Rede Eléctrica Nacional, SA	254,223	236,366
Associated Companies of Hidrocantábrico Group	39,398	100,399
Portsines - Terminal de Sines	7,501	7,907
Turbogás - Produtora Energética	5,211	22,221
Other	2,093	47,979
	441,449	483,295
Medium-/long-term investment (available for sale)		
CERJ - Companhia Eléctrica do Estado Rio Janeiro	97,767	97,767
Iberdrola		382,340
Galp, SGPS	328,211	322,566
BCP - Banco comercial Português	552,789	512,190
OPTEP (Optimus)	314,750	
	1,293,517	1,314,863
Investments in other companies:		
Elcogás	2,166	2,166
Tagusparque	1,097	1,097
Tejo Energia, SA	4,988	4,988
Valor Sul	2,469	2,469
Efacec	3,566	3,566
EDA - Eléctrica dos Açores	6,891	6,891
Costa Rica Energética, Lda	2,073	2,509

Other	35,191	57,949
	58,441	81,635
	1,794,712	2,082,311

During the end of September 2003 and the beginning of October 2003, the EDP Group sold its entire shareholding in Iberdrola, generating a book gain in the amount of Eur 17.8 million.

The **Medium/long-term investments** classified as investments available for sale, in the Group, results from the full implementation from January 1, 2003, for the first time, by the EDP Group, of IAS 39: Recognition and Measurement of Financial Instruments. Movements during the year, as well as the effects of this transition from the Portuguese accounting standards from 2003, are reviewed in the following points.

The year s movements under the Medium/long-term investments classified as available for sale, in the Group, are recorded in the books as follows:

Gains on the investments are added to their acquisition cost

Provisions are set aside for losses on the investments, with a contra-entry against:

profit and loss, in the case of non-temporary potential losses (impairment);

reserves, in the case of potential temporary losses.

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EDP - Electricidade de Portugal, S.A. and Subsidiaries

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As at December 31, 2003, the breakdown of the Medium/long-term investments classified as available for sale in the Group is analysed as follows:

	Group			
	Carrying value Euro 000	Market value Euro 000	Unrealized gain Euro 000	Unrealized loss Euro 000
CERJ - Companhia Eléctrica do Estado Rio Janeiro	97,767	88,717		(9,050)
Galp, SGPS	322,566	328,211	5,645	
BCP - Banco comercial Português	552,789	277,149		(275,640)
OPTEP (Optimus)	315,000	314,749		(251)
	1,288,122	1,008,826	5,645	(284,941)

As an immediate consequence of the full implementation by the EDP Group, for the first time, of IAS 39: Recognition and Measurement of Financial Instruments, the Medium/long-term investments classified as investments available for sale in the Group, includes booking of an asset consisting of the whole of the holding in OPTEP (whose assets included 25.72% of the share capital of Optimus SA), and a liability of the EDP Group to the entity that acquired this asset in 2002, since there is with the latter an agreement which includes an adjustment mechanism of the selling price of Optimus/OPTEP . Consequently, in accordance with IAS 39, it cannot be classified as a definitive sale/commitment. In accordance with the international standard, the assets sold in 2002 are recorded in full under assets, and the respective liability, also in full, and the price fluctuations are recognized as investments available for sale for as long as the referred clause remains in force up to March 22, 2005.

During 2003 the following changes took place to the consolidation structure of the EDP Group:

In the wake of Hidrocantábrico (HC) taking control of 62% of the share capital of the Naturcorp Group, as a result of a privatisation process finalised at the end of 2003, the Naturcorp Group was included in the accounts of the HC Group using the purchase method, and consequently were included in the accounts of the EDP Group through the proportional consolidation of the 40% held in the HC Group.

The impact of the acquisition of 62% of the Naturcorp Group by the Hidrocantábrico Group on the Consolidated Financial Statements of EDP was as follows:

	2003
	40% Naturcorp Euro 000
ASSETS	
Fixed assets	398,640
Investments	1,840
Accounts receivables	36,560
Cash and cash equivalents	14,440
Other assets	320
	451,800
LIABILITIES	
Provisions for contingencies and liabilities	5,840
Financial debt	6,960
Other liabilities	42,960
	55,760

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	2003
	40% Naturcorp Euro 000
PROFIT AND LOSS ACCOUNT	
Sales	175,680
Cost of sales	(122,160)
	53,520
Personnel costs	6,200
Other costs (net)	8,520
Depreciation and provisions	11,760
	26,480
	27,040
Financial profit/(loss)	(12,440)
Other non Operating income (expenses)	440
	15,040
Income tax for the year	5,040
	10,000

The movements in **Provisions for Investments** are analysed as follows:

	Group	
	2003 Euro 000	2002 Euro 000
Provision for shareholdings:		
Balance as at January 1	276,734	5,547
Charge for the year	8,585	2,213
Charge against reserves - Available for sale adjustments	15,967	268,974
Write-backs	(15,496)	

Balance as at December 31	285,790	276,734
Provision for other financial placements:		
Balance as at January 1	1,391	1,391
Balance as at December 31	1,391	1,391
	287,181	278,125

The Subsidiary Companies fully consolidated at December 31, 2003, were as follows:

Subsidiary Companies	**Head office**	**Share capital / Currency**	**Shareholders Equity 31-Dec-03 Euro 000**	**Net Profit 31-Dec-03 Euro 000**	**% Group**
Group s parent holding company :					
EDP, S.A.	Lisbon	3 000 000 000 EUR	5,298,007	381,109	
Electricity Business - Portugal :					
Electricity Generation:					
EDP Produção, S.A.	Lisbon	1 250 000 000 EUR	1,906,280	328,522	100.00%
EDP Produção Bioeléctrica S.A.	Lisbon	4 000 000 EUR	11,095	(2,057)	100.00%
CPPE, S.A.	Lisbon	1 234 000 000 EUR	2,495,933	347,618	100.00%
TER, S.A.	Lisbon	500 000 EUR	303	(164)	100.00%
Enernova, S.A.	Lisbon	7 500 000 EUR	21,234	3,664	100.00%
EDP Cogeração, S.A.	Lisbon	5 740 000 EUR	4,550	884	100.00%
Hidrocenel, S.A.	Seia	45 500 000 EUR	56,255	2,975	100.00%
HDN, S.A.	Braga	24 500 000 EUR	32,133	3,652	100.00%
O & M Serviços, S.A.	Mortágua	500 000 EUR	848	232	60.00%
EDP Energia, S.A.	Lisbon	50 100 200 EUR	86,959	14,477	100.00%
Hidrobasto	Cabeceiras	100 000 EUR	100	(4)	60.00%
Hidrinor, SA	Ponte de Lima	648 437 EUR	748	102	100.00%
Soporgen	Lisbon	50 000 EUR	2,466	2,663	82.00%
Energin Azóia	Lisbon	50 000 EUR	(2,055)	(2,106)	65.00%

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Subsidiary Companies	Head office	Share capital / Currency	Shareholders Equity 31-Dec-03 Euro 000	Net Profit 31-Dec-03 Euro 000	% Group
Electricity Distribution:					
EDP Distribuição, S.A.	Lisbon	1 024 500 000 EUR	1,566,925	134,366	100.00%
Electricity Business - Brazil:					
Electricity Generation:					
EDP Lajeado, S.A.	São Paulo	100 000 000 BRL	2,812	(22,250)	100.00%
Fafen Energia, S.A.	Camaçari	62 501 000 BRL	(625)	(7,582)	79.60%
Enerpeixe, S.A.	São Paulo	213 333 438 BRL	58,224		60.00%
Electricity Distribution:					
Escelsa, S.A.	Espirito Santo	153 946 942 BRL	103,120	48,288	54.76%
Enersul, S.A.	Mato Grosso Sul	463 415 296 BRL	120,346	3,762	35.70%
Bandeirante Energia, S.A.	São Paulo	254 628 684 BRL	195,437	26,925	96.50%
Telecommunications Business - Portugal:					
ONITELECOM	Lisbon	274 630 000 EUR	69,604	(58,104)	56.02%
ONI Multimédia, S.A.	Lisbon	50 000 EUR	(77,780)	(25,500)	56.02%
U Call, S.A.	Lisbon	50 000 EUR	(55)	(62)	73.61%
Autor, S.A.	Aveiro	50 000 EUR	(452)	(408)	56.02%
ONI Madeira	Funchal	50 000 EUR	(78)	(111)	39.21%
ONI Açores	P.Delgada	250 000 EUR	425	229	33.61%
ONI Plataformas, S.A.	Lisbon	50 000 EUR	47	(0)	56.02%
ONI Web	Lisbon	50 000 EUR	(9,263)	(9,263)	56.02%
ONI Way	Lisbon	300 000 000 EUR	5,810	(14,369)	56.02%
FCTE, S.A.	Lisbon	500 000 EUR	(258)	(83)	44.82%
Telecomunications Business - Espanha :					
Germinus XXI	Madrid	4 112 749 EUR	(3,219)	(3,718)	79.77%
Intercom Internet	Barcelona	3 017 EUR	3	(0)	100.00%
Ola Internet	Madrid	405 010 EUR	781	1,636	100.00%
Information Technologies Business - Portugal:					
EDINFOR, S.A.	Lisbon	17 000 000 EUR	53,962	(6,167)	100.00%
Onsource, S.A.	Lisbon	1 250 000 EUR	1,525	30	57.77%
Case Edinfor II, S.A.	Lisbon	500 000 EUR	(658)	(1,844)	57.77%
Netion, S.A.	Lisbon	50 000 EUR	183	122	46.22%
Case Edinfor, ACE	Lisbon	498 798 EUR	498	(0)	57.77%
Integer, S.A.	Lisbon	250 000 EUR	695	(97)	57.77%
Inovis, S.A.	Lisbon	50 000 EUR	344	23	57.77%
Consulteam, S.A.	Lisbon	60 000 EUR	(701)	(700)	57.77%
ACEBENET, S.A.	Lisbon	250 000 EUR	65	(382)	57.77%

ACE BI, S.A.	Lisbon	250 000 EUR	200	(66)	57.77%
ACE Sistemas Comerciais, S.A.	Lisbon	250 000 EUR	503	66	57.77%
ACE QS, S.A.	Lisbon	250 000 EUR	387	22	57.77%
Sigmaplano, S.A.	Lisbon	174 579 EUR	524	246	57.77%
Onalp, Lda	Lisbon	5 000 EUR	14	6	57.77%
S- Tecno, S.A.	Estoril	250 000 EUR	(24)	(69)	57.77%
Case, S.A.	Lisbon	250 000 EUR	2,282	(3,083)	57.77%
Centralbiz, S.A.	Oporto	50 000 EUR	9	(48)	57.77%
ACE Heathcare, S.A.	Paço d Arcos	200 000 EUR	137	(65)	43.62%
ACE Plus, S.A.	Funchal	250 000 EUR	(510)	(753)	46.22%
PSI-DOC, S.A.	Lisbon	150 000 EUR	(111)	(49)	57.77%
No Limits, S.A.	Lisbon	250 000 EUR	414	83	40.44%
IT - LOG, S.A.	Lisbon	1 000 000 EUR	3,889	1,846	100.00%
IT - GEO, S.A.	Lisbon	50 000 EUR	2,064	1,828	100.00%
Copidata, S.A.	Odivelas	4 491 000 EUR	8,354	60	99.33%
Copidata, Lda,	Odivelas	598 558 EUR	1,203	1	99.40%
Escritomática, Lda	Odivelas	44 892 EUR	327	3	99.60%
Central-E, S.A.	Lisbon	5 000 000 EUR	(6,894)	(2,915)	52.80%
Information Technologies Business - Brazil:					
ACE Sistemas Informação, Ltda	São Paulo	1 871 713 BRL	196	5	57.77%
Edinfor Soluções Informáticas, Ltda	São Paulo	2 783 497 BRL	2,439	(883)	100.00%
Information Technologies Business - Mozambique:					
ACESI, Ltda	Maputo	200 000 000 MZM	(193)	25	59.85%

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Subsidiary Companies	Head office	Share capital / Currency	Shareholders Equity 31-Dec-03 Euro 000	Net Profit 31-Dec-03 Euro 000	% Group
Other :					
EDP Produção EM, S.A.	Oporto	2 250 000 EUR	6,412	1,636	100.00%
Tergen, S.A.	Carregado	250 000 EUR	243	(5)	80.00%
Enerfin, S.A.	Oporto	50 000 EUR	(15)	(19)	74.88%
HIDROEM, SA	Oporto	1 000 000 EUR	308	73	100.00%
HIDRORUMO, SA	Oporto	2 800 000 EUR	6,110	325	100.00%
EDP Energia Ibérica, SA	Madrid	60 200 EUR	(514)	(573)	100.00%
EDP Valor, S.A.	Lisbon	4 550 000 EUR	7,136	635	100.00%
EDP Serviços, S.A.	Lisbon	750 000 EUR	479	(360)	100.00%
MRH, S.A.	Lisbon	750 000 EUR	(505)	(1,117)	100.00%
Sãvida, S.A.	Lisbon	450 000 EUR	1,781	942	100.00%
SCS, S.A.	Lisbon	50 000 EUR	(629)	(699)	100.00%
EDP Imobiliária, S.A.	Lisbon	5 000 000 EUR	6,167	(717)	100.00%
EDIPOMBAL, S.A.	Lisbon	750 000 EUR	2,994	(28)	100.00%
ONI S.G.P.S.	Lisbon	400 119 796 EUR	(132,764)	(133,626)	56.02%
TLD	Vigo	1 235 092 EUR	(25,616)	(3)	56.02%
Comunitel Global, S.A.	Vigo	52 031 843 EUR	8,861	(18,867)	55.98%
ACE S.G.P.S.	Lisbon	11 683 383 EUR	7,254	(9,395)	57.77%
ACE Consulting, Ltda	Luanda	45 000 EUR	(537)	(188)	71.84%
ACE Global, S.A.	Lisbon	250 000 EUR	(2,443)	(2,950)	57.77%
Primitiva, S.A.	Lisbon	87 097 EUR	345	150	57.77%
Case Internacional, Lda	Funchal	5 000 EUR	(132)	11	100.00%
Mecaresopre, S.A.	Lisbon	150 000 EUR	390	45	80.00%
EDP Águas, S.A.	Lisbon	5 000 000 EUR	7,362	(116)	100.00%
Valorágua, S.A.	Lisbon	2 500 000 EUR	1,598	42	100.00%
EDP Estudos e Consultadoria, S.A.	Lisbon	50 000 EUR	82	22	100.00%
EDP Serviner, S.A.	Lisbon	50 000 EUR	922	686	100.00%
Edalpro, Lda	Lisbon	748 197 EUR	1,728	353	100.00%
Labelec, S.A.	Sacavém	2 200 000 EUR	6,481	2,126	100.00%
EDP Participações S.G.P.S.	Lisbon	125 000 000 EUR	1,033,566	37,875	100.00%
Balwerk, Lda	Lisbon	5 000 EUR	(204,710)	(19,988)	100.00%
EDP Internacional S.G.P.S	Lisbon	37 500 000 EUR	817,386	(24,408)	100.00%
EDP Brasil S.A.	São Paulo	1 303 839 767 BRL	347,798	(42,872)	100.00%
Internel, S.A.	Lisbon	50 000 EUR	498	(231)	100.00%
Fundo Aphelion	Cayman Islands	752 290 071 USD	498,592	(205)	100.00%
Iven, S.A.	São Paulo	322 334 857 BRL	56,044	24,230	100.00%
Magistra, S.A.	São Paulo	668 482 734 BRL	176,963	6,006	54.76%
Enercorp, Ltda	São Paulo	4 035 000 BRL	708	(1,126)	100.00%
Enertrade, S.A.	São Paulo	23 047 514 BRL	5,412	1,429	100.00%
Energest, S.A.	São Paulo	46 242 339 BRL	(3)	(3,214)	100.00%
Enercouto, S.A.	São Paulo	1 000 BRL			99.90%
EDP Finance BV	Amsterdam	20 000 EUR	(35,519)	(20,942)	100.00%

EDP Irlanda	Dublin	1 000 000 EUR	659	(61)	100.00%
EDP - Investimentos, Lda	Macau	200 000 MOP	41,552	9,035	99.00%

The Associated Companies included in the consolidation using the proportional consolidation method as at December 31, 2003, were as follows:

Associated Companies	**Head office**	**Share capital / Currency**	**Shareholders Equity 31-Dec-03 Euro 000**	**Net Profit 31-Dec-03 Euro 000**	**% Group**
Investco S.A.	São Paulo. Brazil	665 643 638 BRL	171,264	(2,518)	27.65%
Hidroeléctrica Del Cantábrico S.A.	Oviedo. Spain	425 721 430 EUR	1,690,536	30,973	40.00%
Affinis S.A.	Lisbon -Portugal	1 500 000 EUR	46	(489)	45.00%

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The Associated Companies included in the consolidation using the equity method as at December 31, 2003, were as follows:

Associated Companies	Head office	Share capital / Currency	Shareholders Equity 31-Dec-03 Euro 000	Net Profit 31-Dec-03 Euro 000	% Group
REN S.A.	Lisbon - Portugal	534 000 000 EUR	847,409	93,489	30.00%
Bioeléctrica SPA	Pisa - Itália	2 998 775 EUR	484	(550)	24.00%
BIZFIRST S.A.	Lisbon - Portugal	250 000 EUR	(269)	(301)	35.00%
Campos Envelopagem S.A.	Palmela - Portugal	74 850 EUR	623	86	30.00%
Ecogen S.A.	Loures - Portugal	100 000 EUR	(303)	(195)	34.99%
Portsines S.A.	Sines - Portugal	10 000 000 EUR	17,431	(1,424)	39.60%
Geoterceira	Açores - Portugal	1 000 000 EUR	564	(324)	49.90%
CEM S.A.	Macau	580 000 000 MOP	249,104	44,704	21.19%
Carriço Cogeração, SA	Vila Rei-Portugal	50 000 EUR	37		35.00%
Portábil, SA	Lisbon - Portugal	1 125 000 EUR	1,320	69	35.00%
Turbogás, SA	Oporto-Portugal	13 308 000 EUR	26,056	5,331	20.00%
LBC Tanquipor, SA	Barreiro-Portugal	1 350 000 EUR	3,088	274	28.89%
Electra	S.Vicente-Cabo Verde	600 000 000 CVE	(8,386)	(4,975)	30.60%
DECA-II	Guatemala	2 077 092 000 GTQ	65,339	2,554	21.00%
Eólica da Alagoa, SA	Arcos Val.-Portugal	50 000 EUR	50		40.00%

10. Fixed assets

This balance is analysed as follows:

	Group	
	2003 Euro 000	2002 Euro 000
Fixed assets under the Decree Law 344-B/82 regime	240,607	259,916
Land and natural resources	128,169	122,260
Buildings and other constructions	410,982	336,746
Plant and machinery:		

Hydroelectric generation	6,952,258	6,936,948
Thermoelectric generation	3,405,254	3,446,991
Renewables generation	42,795	42,795
Electricity distribution	12,675,981	11,648,649
Other plant and machinery	714,415	417,636
Transport equipment	75,761	73,900
Office equipment and utensils	344,250	325,556
Other tangible fixed assets	22,393	17,486
Fixed assets in progress	1,187,302	1,022,066
	26,200,167	24,650,949
Accumulated depreciation		
Depreciation charges for the year	(803,091)	(706,106)
Other accumulated depreciation	(13,745,477)	(12,740,606)
	(14,548,568)	(13,446,712)
	11,651,599	11,204,237

Tangible fixed assets under the Decree-Law 344-B/82 regime are those assets allocated to low-tension in electricity distribution transferred from the local authorities under the concession regime. These assets, though operated by the Group, continue to be the property of the local authorities and are accounted as follows:

	Group	
	2003	**2002**
	Euro 000	**Euro 000**
Fixed assets under the DL 344-B/82 regime	240,607	259,916
Accumulated depreciation	(231,528)	(243,265)
Net amount	9,079	16,651

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Part of these assets may be transferred to Group ownership by settlement, by offsetting accounts in respect of debts of the respective municipalities (see Note 5) pending settlement.

Tangible fixed assets during 2003, **for the Group**, are analysed as follows:

	Balance January 1st Euro 000	Acquisitions / Charge year Euro 000	Disposals Euro 000	Transfers Euro 000	Changes in Subsidiaries / Other Euro 000	Balance December 31st Euro 000
Cost :						
Fixed assets under the DL 344-B/82 regime	259,916				(19,309)	240,607
Land and natural resources	122,260	14	(179)	326	5,748	128,169
Buildings and other constructions	336,746	709	(8,211)	28,656	53,082	410,982
Plant and machinery	22,493,019	126,178	(67,720)	395,141	844,085	23,790,703
Transport equipment	73,900	4,777	(7,457)	605	3,936	75,761
Office equipment and utensils	325,556	8,133	(1,291)	92,867	(81,015)	344,250
Other tangible fixed assets	17,486	283	(40)	3,011	1,653	22,393
Fixed assets in progress	1,022,066	801,542		(520,606)	(115,700)	1,187,302
	24,650,949	941,636	(84,898)		692,480	26,200,167
Accumulated depreciation :						
Fixed assets under the DL 344-B/82 regime	243,265	3,229			(14,966)	231,528
Buildings and other constructions	143,317	9,703	(6,698)		20,081	166,403
Plant and machinery	12,839,248	739,364	(55,701)		388,662	13,911,573
Transport equipment	46,622	10,418	(5,656)		3,148	54,532
Office equipment and utensils	169,455	38,267	33		(27,646)	180,109
Other tangible fixed assets	4,805	2,110	(24)		(2,468)	4,423
	13,446,712	803,091	(68,046)		366,811	14,548,568

The Changes in Subsidiaries/Other column includes (i) adjustments to fair values arising from the economic revaluations of the tangible fixed assets of Escelsa / Enersul performed during 2003 as part of the final purchase price allocation, (ii) exchange-rate variations during the year, and (iii) the inclusion of the Naturcorp Group in the consolidation perimeter following acquisition of control by the Hidrocantábrico Group in July 2003.

In accordance with the accounting criteria defined in Note 2, the following amounts of financing interest were capitalized during the year under Fixed assets in progress:

	Group	
	2003 Euro 000	2002 Euro 000
Electricity generation	6,166	10,215
Electricity distribution	7,701	5,269
Studies and projects	10,101	533
	23,968	16,017

11. Other assets

The balance **Other assets** is analysed as follows:

	Group	
	2003 Euro 000	2002 Euro 000
Intangible assets	950,182	1,657,085
Goodwill	899,514	186,034
Deferred taxes	609,338	545,979
Deferred costs	275,104	227,834
	2,734,138	2,616,932

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The balance **Intangible assets** is analysed as follows:

	Group	
	2003 Euro 000	2002 Euro 000
Intangible assets		
Set-up costs	85,157	93,056
Research and development costs	103,302	140,434
Industrial property and other rights	158,057	145,355
Fixed assets in progress and other fixed assets	21,944	13,229
Other intangible assets on telecommunications business	40,209	
Concession rights in Brazil and Spain	835,366	1,515,405
	1,244,035	1,907,479
Accumulated amortization		
Amortization of concession rights during the year	(30,439)	(42,359)
Amortization of intangible fixed assets during the year	(42,501)	(33,435)
Other accumulated amortization	(220,913)	(174,600)
	(293,853)	(250,394)
	950,182	1,657,085

Intangible assets during 2003 are analysed as follows:

	Balance January 1st Euro 000	Acquisitions / Charge year Euro 000	Disposals Euro 000	Transfers Euro 000	Changes in Subsidiaries / Other Euro 000	Balance December 31st Euro 000
Cost :						
Set-up costs	93,056	1,633		2,976	(12,508)	85,157
Research and development costs	140,434	968	(35,369)	10,347	(13,078)	103,302
Industrial property and other rights	145,355	4,273		1,300	7,129	158,057
	13,229	14,555		(14,623)	8,783	21,944

Fixed assets in progress and other fixed assets						
Other intangible assets on telecommunications business		40,209				40,209
Concession rights in Brazil and Spain	1,515,405			(568,431)	(111,608)	835,366
	1,907,479	61,638	(35,369)	(568,431)	(121,282)	1,244,035
Accumulated amortization :						
Set-up costs	50,471	15,145	(68)		(693)	64,855
Research and development costs	35,502	17,294	(90)		(8,100)	44,606
Industrial property and other rights	41,884	7,164			(16,672)	32,376
Other intangible assets on telecommunications business		2,898			11,673	14,571
Concession rights in Brazil and Spain	122,537	30,439		(15,510)	(21)	137,445
	250,394	72,940	(158)	(15,510)	(13,813)	293,853

In the **Changes in subsidiaries/Other** column includes the adjustments related to the Concession rights in Brazil, namely arising from the fair values/economic revaluations of the tangible fixed assets of Escelsa / Enersul undertaken in 2003 as part of the final purchase price allocation.

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The **Concession rights** heading, resulting from the difference between cost and the proportional fair value of the company s assets on the date of acquisition, is analysed as follows for the following acquisitions:

	2003			2002		
	Net Amount Euro 000	**Accumulated amortization Euro 000**	**Concession Rights Euro 000**	**Net Amount Euro 000**	**Accumulated amortization Euro 000**	**Concession Rights Euro 000**
Electricity Business - Spain						
Hidrocantábrico Group				552,921	(15,510)	568,431
Electricity Business - Brazil						
Bandeirante Energia	220,796	(54,483)	275,279	229,415	(45,648)	275,063
Escelsa / Enersul	477,125	(82,962)	560,087	610,532	(61,379)	671,911
	697,921	(137,445)	835,366	1,392,868	(122,537)	1,515,405
Amortization charges for the year		(30,439)			(42,359)	

On December 31, 2003, the Concession rights over Hidrocantábrico Group were transfered to Goodwill as a result of incorporation and start-up of the new Iberian Electricity Open Market (Mibel).

The **Concession rights** over the Brazilian electricity distribution subsidiaries, particularly over Bandeirante Energia SA, Escelsa - Espírito Santo Centrais Eléctricas SA, and Enersul - Empresa Energética do Mato Grosso do Sul SA, are amortized using the straight-line method over the life of the concessions, up to 2025, 2030 and 2030 respectively.

As at December 31, 2003, by business area, the main **Research and development projects** are as follows:

	Amount invested	**Accumulated amortization**	**Net Amount Euro 000**

	Euro 000	Euro 000	
Development projects by business area:			
Electricity generation	18,175	(10,609)	7,566
Information technologies	8,475	(4,708)	3,767
Telecommunications	73,026	(28,467)	44,559
Other	3,626	(822)	2,804
	103,302	(44,606)	58,696

As at December 31, 2003, the breakdown of the **Industrial property and other rights** assets, is as follows:

	EDP Group Company	Amount invested Euro 000	Accumulated amortization Euro 000	Net Amount Euro 000
Software licensing	Brazil and Hidrocantábrico	47,397	(24,975)	22,422
Optic fibre usage rights	ONI Telecom	108,932	(6,609)	102,323
Other	Other companies	1,728	(792)	936
		158,057	(32,376)	125,681

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The breakdown of **Goodwill** is as follows:

	2003			2002		
	Net Amount Euro 000	Accumulated amortization Euro 000	Goodwill Euro 000	Net Amount Euro 000	Accumulated amortization Euro 000	Goodwill Euro 000
Electricity Business						
Hidrocantábrico Group	706,357	(46,319)	752,676			
Investco	2,050	(127)	2,177	1,767	(106)	1,873
Enerpeixe	1,625	(4)	1,629			
	710,032	(46,450)	756,482	1,767	(106)	1,873
Telecommunications Business						
Comnexo	12,704	(8,399)	21,103	14,815	(6,288)	21,103
Comunitel Global	63,268	(22,889)	86,157	71,798	(14,359)	86,157
Other	11,394	(1,385)	12,779	11,580	(135)	11,715
	87,366	(32,673)	120,039	98,193	(20,782)	118,975
Information Technology Business						
ACE, SGPS	50,017	(8,827)	58,844	52,960	(5,884)	58,844
Case Edinfor	2,528	(1,084)	3,612	2,890	(722)	3,612
Copidata	203	(3,861)	4,064	1,016	(3,048)	4,064
S-Tecno Serviços TI	2,748	(1,178)	3,926	3,159	(767)	3,926
Other	6,399	(2,428)	8,827	7,313	(1,273)	8,586
	61,895	(17,378)	79,273	67,338	(11,694)	79,032
Other Businesses						
Affinis Serviços	12,036	(689)	12,725	12,672	(53)	12,725
Turbogás	17,266	(908)	18,174			
Companhia Electricidade Macau	9,650	(6,893)	16,543			
Other	1,269	(858)	2,127	6,064	(1,132)	7,196
	40,221	(9,348)	49,569	18,736	(1,185)	19,921
	899,514	(105,849)	1,005,363	186,034	(33,767)	219,801

Amortization charges for the year		(54,439)			(23,072)	

Goodwill in respect of subsidiary and associate companies is amortized using the straight-line method over the estimated useful life (10 years in general, and 20 years for ACE, Affinis, Turbogás and Hidrocantábrico).

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In respect of **Deferred tax assets**, the EDP Group records in its accounts the tax effect arising from temporary differences between the assets and liabilities determined from an accounting standpoint and from a taxation standpoint, and this is broken down by company as follows:

	Deferred Tax Assets	
	2003 Euro 000	**2002** Euro 000
Individual - EDP, SA	336,924	300,245
ONI Group	107,831	89,864
EDP Produção Group	1,037	
EDP Brazil Group	131,707	143,140
Hidrocantábrico Group	12,814	12,524
EDP Finance BV	18,510	
Other	515	206
EDP Group	609,338	545,979

The breakdown of **Deferred Tax Assets** is as follows:

	Group Euro 000
Balance as at January 1, 2003	545,979
Profit and loss account charge:	
Tax losses	14,023
Provisions	970
Depreciation	3,917
Book revaluations	12,692
Tariff adjsutments	1,181
Other	9,317
Charge for the year	42,100
Reserve s charge:	
Book revaluations	24,703
Other	(3,444)

Charge against reserves	21,259
Balance as at December 31, 2003	609,338

The balance **Deferred costs** is analysed as follows:

	Group	
	2003	**2002**
	Euro 000	**Euro 000**
Deferred costs :		
- Rents	1,771	5,309
- Expenditure on concessions	11,499	11,886
- Accrued maintenance	18,172	4,150
- Compensation of fuel costs	159,716	78,884
- Deferred retirement benefit obligation	50,993	62,330
- Advertising and propaganda costs	346	2,361
- Cost of negotiating loans (EIB)	24,537	29,012
- Discounts on bond issues	6,434	6,616
- Other deferred costs	1,636	27,286
	275,104	227,834

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12. Debt - Short and long term

This balance is analysed as follows:

	Group	
	2003 **Euro 000**	**2002** **Euro 000**
Short term loans - Current		
Overdrafts :		
- EDP, SA		44,243
- ONI Group	592,298	571,519
- Other	3,614	5,476
	595,912	621,238
Bank loans:		
- EDP, SA	315,711	271,110
- ONI Group	51,395	2,534
- Brazil Group	225,530	222,556
- Hidrocantábrico Group	24,360	178,622
- EDP Finance BV	93,524	
- Other	46,977	21,028
	757,497	695,850
Bonds issued - Non convertible:		
- EDP, SA	10,221	12,261
- EDP Finance BV	45,500	
	55,721	12,261
Commercial paper		
- EDP, SA	170,000	557,684
	170,000	557,684
	1,579,130	1,887,033

Medium and long term loans - Non Current		
Bank loans:		
- EDP, SA	631,021	946,593
- ONI Group	41,732	48,000
- Brazil Group	237,662	328,873
- Hidrocantábrico Group	761,800	629,947
- EDP Finance BV	550,000	643,524
- Other	67,032	17,994
	2,289,247	2,614,931
Bonds issued - Non convertible:		
- EDP, SA	2,476,551	2,341,958
- EDP Finance BV	963,694	1,009,194
- Grupo Brazil	84,087	40,959
	3,524,332	3,392,111
Commercial paper		
- EDP, SA	100,000	100,000
	100,000	100,000
	5,913,579	6,107,042
	7,492,709	7,994,075

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As of December 31, 2003, the scheduled repayments of the long-term portion of the group s debt was as follows:

	Euro 000
2005	606,100
2006	924,600
2007	903,500
2008	721,900
2009 and following years	2,757,479
	5,913,579

At the EDP, SA, level, the Group has short-term credit facilities in the sum of Eur 746 million, indexed to the Euribor rate for the agreed period of use, with margin conditions agreed in advance, of which Eur 726 million have a firm underwriting commitment. There is also a Eur 350 million commercial paper programme with guaranteed placement. As far as medium-term credit facilities are concerned, Eur 700 million is available to EDP, SA, with a firm underwriting commitment, also indexed to Euribor under previously agreed conditions. As at December 31, 2003, Eur 50 million had been used of the total credit facilities.

The bank loans in Brazil involve floating-rate interest on the real, mostly indexed to the CDI. On the other hand, bank loans in euros are associated with floating-rate interest indexed to the three- or six-month Euribor rates.

The breakdown of Bonds issued as at December 31, 2003 is as follows:

Issuer	Issue date	Interest rate	Repayment/ conditions	Group Euro 000
Issued by EDP, S.A.				
EDP, SA 22nd Issue	May 30, 1996	Euribor 6 months - 0.10%	(i)	20,636
EDP, SA 23rd Issue	Dec 20, 1996	Euribor 6 months - 0.125%	(ii)	10,332
EDP, SA 24th Issue	Dec 22, 1997	Euribor 6 months + 0.10%	(iii)	6,525
EDP, SA 25th Issue	Nov 23, 1998	Euribor 6 months + 0.225%	(iv)	299,279
EDP, SA 26th Issue	Mar 26, 2003	Euribor 6 months + 0.5%	On Mar 26, 2013	150,000
				486,772

Issued by EDP within the	**Euro Medium Term Notes Programme**			
EDP, SA 1st Issue	Oct 29, 1999	Fixed rate EUR 6.40%	On Oct 29, 2009	1,000,000
EDP, SA 2nd Issue	Mar 28, 2001	Fixed rate EUR 5.875%	On Mar 28, 2011	1,000,000
EDP Finance BV 3rd Issue (*)	Oct 29, 2001	JPY Libor 3 months + 0.20%	On Oct 29, 2004	45,500
EDP Finance BV 4th Issue	Nov 26, 2001	Coupon Zero	On Nov 26, 2009	22,455
EDP Finance BV 5th Issue (*)	Nov 28, 2001	Fixed rate JPY 0.70%	On Nov 28, 2006	27,882
EDP Finance BV 6th Issue (*)	Aug 9, 2002	Fixed rate GBP 6.625%	On Aug 9, 2017	320,000
EDP Finance BV 7th Issue	Dec 16, 2002	Fixed rate EUR 5.00%	On Dec 16, 2008	500,000
EDP Finance BV 8th Issue	Dec 23, 2002	Fixed rate EUR 2.661%	On Dec 23, 2022	93,357
				3,009,194
Issued by Escelsa (Brazil) (International Bond)				
Escelsa USD 430 Million (**)	On Jul 28, 1997	Fixed rate USD 10.0%	On Jul 15, 2007	58,041
Issued by Investco (Brazil) (Domestic bond)				
Investco 1st Issue	Nov 1, 2001	IGPM + 12.80%	On Nov 1, 2011	19,721
Investco (FINAM)	Nov 14, 2003	TJLP + 4%	On Nov 14, 2011	6,325
				26,046
				3,580,053

(i) : 4 annual payments beginning in June 2, 2003. It may be repaid early at the request of bondholders.

(ii) : 4 annual payments beginning in December 20, 2008. As from December 20, 2006 it may be repaid in part or in full at the request of EDP to all the bondholders.

(iii) : 4 annual payments beginning in January 5, 2002.

(iv) : 6 semi-annual payments beginning in May 23, 2006.

(*) : These issues by EDP Finance BV have associated floating-interest-rate euro currency swaps.

(**) : The EDP Group holds 83% of the value of this issue in an intra-group portfolio, as a result of the international takeover bid launched in 2002.

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The breakdown of Loans by maturity is as follows:

	Group	
	2003	**2002**
	Euro 000	**Euro 000**
Bank loans and overdrafts :		
Up to 1 year	1,523,409	1,874,772
1 to 5 years	2,312,265	2,544,263
Over 5 years	76,982	170,668
	3,912,656	4,589,703
Bond issues :		
Up to 1 year	55,721	12,261
1 to 5 years	877,830	232,266
Over 5 years	2,646,502	3,159,845
	3,580,053	3,404,372
	7,492,709	7,994,075

The analysis of total debt by interest is as follows:

	Group	
	2003	**2002**
	Euro 000	**Euro 000**
Bonds and bank loans		
Below 5%	5,491,216	
5% to 7.5%		1,512,084
7.5% and above	547,279	55,222
Variable rates (weighted average rate: 3.467% at 12/31/02; 2.845% at 12/31/03)	588,302	5,147,921
Other debt		
	270,000	657,618

Commercial paper (weighted average rate: 3.212% at 12/31/02; 2.1629% at 12/31/03)		
Bank overdrafts (4.2325% at 12/31/02; 3,38% at 12/31/03)	595,912	621,230
	7,492,709	7,994,075

The breakdown of the fair value of the EDP Group s debt, that is the market value of the debt, is as follows:

	2003		2002	
	Carrying Value Euro 000	**Market Value Euro 000**	**Carrying Value Euro 000**	**Market Value Euro 000**
Short term loans - Current	1,579,130	1,579,130	1,887,033	1,887,033
Medium and long term loans - Non current	5,913,579	6,251,355	6,107,042	6,406,804
	7,492,709	7,830,485	7,994,075	8,293,837

The market value of the medium/long-term loans is calculated on the basis of the cash flows discounted at the rates ruling on December 31, 2003. In current short-term debt, the book value is considered to be the market value.

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13. Accounts payable - Trade

This balance is analysed as follows:

	Group	
	2003	**2002**
	Euro 000	**Euro 000**
Short term creditors - Current		
Suppliers	678,741	787,361
Supplies of fixed assets	103,885	230,393
Other		817
	782,626	1,018,571

14. Accounts payable - Other

This balance is analysed as follows:

	Group	
	2003	**2002**
	Euro 000	**Euro 000**
Other shareholders	10,541	10,443
Advances to customers	1,204	518
Other creditors		
- Employees	20,625	
- Supply of other goods and services	12,946	19,992
- Concession rents	6,690	6,477
- Creditors for collections	20,115	28,529
- For interest and financial credits	13,960	29,540
- INAG/EDP Protocol - Alqueva	35,893	

- Other	6	19,302
- Corporate income tax (IRC) - payments by the holding company	123	
- Other creditors and sundry operations	65,159	58,876
	187,262	173,677

15. Accrued cost

The balance **Accrued cost** is analysed as follows:

	Group	
	2003	**2002**
	Euro 000	**Euro 000**
Accrued costs:		
- Holiday pay, bonus and other charges	68,393	60,032
- Interest payable	121,874	169,371
- Other accrued costs	46,267	65,096
	236,534	294,499

16. Taxes payables

This balance is analysed as follows:

	Group	
	2003	**2002**
	Euro 000	**Euro 000**
State and other public entities:		
- Income tax	173,924	9,081
- Withholding tax	11,686	8,415
- Social security contributions	11,359	10,542
- Value added tax	12,197	18,665
- Other taxes	59,937	3,049
	269,103	49,752

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17. Deferred revenue

The balance **Deferred revenue** is analysed as follows:

	Group	
	2003 Euro 000	2002 Euro 000
Deferred revenue:		
- Gains on sales to be realised		70,072
- Equal Installment Account EDP Distribuição	101,096	
- Other deferred revenue	134,668	24,783
	235,764	94,855

18. Accrued pension and post retirement liabilities

The balance **Accrued pension and retirement liabilities** is analysed as follows:

	Group	
	2003 Euro 000	2002 Euro 000
Defined benefit pension plan	149,636	211,543
Post retirement medical benefits	412,627	396,713
	562,263	608,256

Some companies of the EDP Group grant their employees post-retirement benefits, both under the form of defined-benefit plans and under the form of defined-contribution plans. These include pension benefits that pay complimentary old-age, disability and surviving-relative pension complements, and also early retirement pensions. In some cases medical care is provided during the period of retirement and of early retirement, through mechanisms complementary to those of the National Health Service.

The existing plans are presented hereunder, with a brief description of each and of the companies covered by them, as well as of the economic and financial data.

I. Pension Plans - *Defined-Benefit Type*

In Portugal, the companies of the EDP Group resulting from the split of EDP in 1994 have defined benefits plan financed through a closed Pension Fund, covered by a specific provision. This Pension Fund covers liabilities for retirement pension benefits (old age, disability and surviving relative) as well as liabilities for early retirement.

In Brazil, Bandeirante has two defined-benefit plans managed by the CESP Foundation, a closed complementary welfare entity with its own assets, segregated from those of the Sponsors (Bandeirante and other Brazilian electricity companies) with no contributive solidarity:

BD Plan in force up to March 31, 1998, a Balance Benefit Plan that grants Balanced Proportional Supplementary Benefit (BSPS) in the form of an annuity payable to participants enrolled by March 31, 1998, of an amount defined in proportion to past length of service accumulated by the reference date, based on compliance with regulatory granting requirements. The company is liable in full for the cover of any actuarial insufficiencies of this Plan.

BD Plan in force after March 31, 1998, which grants an annuity in proportion to the accumulated past length of service after March 31, 1998, on the basis of 70% of the average actual monthly wage for the last 36 months in service. In the event of death or disability caused by works accident, beneficiaries incorporate the whole of the past service (including that accumulated up to March 31, 1998), not just the past service accumulated after March 31, 1998. The Company and the participants equally share liability for the cover of the actuarial insufficiencies of this plan.

The change in benefit obligation of consolidated liabilities for past services linked to these pension plans has been as follows:

	2003			2002		
	Portugal Euro 000	Brazil Euro 000	Group Euro 000	Portugal Euro 000	Brazil Euro 000	Group Euro 000
Change in benefit obligation						
Liabilities at the beginning of period	1,394,075	54,658	1,448,733	1,354,910	78,273	1,433,183
Cost of current services	11,193	1,047	12,240	11,977	1,243	13,220
Cost of Interest	78,843	6,006	84,849	83,123	5,703	88,826
Benefits paid	(139,459)	(1,516)	(140,975)	(142,738)	(1,539)	(144,277)
Actuarial losses	67,889	4,147	72,036	86,803	9,439	96,242
Currency fluctuation		407	407		(38,461)	(38,461)
Liabilities at the end of the period	1,412,541	64,750	1,477,291	1,394,075	54,658	1,448,733

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In calculating the liabilities inherent in these pension plans within the EDP Group the following financial and actuarial assumptions were used:

	2003		2002	
	Portugal	**Brazil**	**Portugal**	**Brazil**
	Euro 000	**Euro 000**	**Euro 000**	**Euro 000**
Assumptions				
Rate of return of the Funds	5.70%	10.24%	6.50%	10.24%
Discount rate	5.20%	10.24%	6.00%	10.24%
Wage growth rate	3.30%	7.12%	3.30%	7.12%
Pension growth rate	2.25%	7.12%	2.25%	7.12%
Social Security wage appreciation rate	2.00%	4.00%	2.00%	4.00%
Inflation rate	2.00%	4.00%	2.00%	5.00%
Mortality table	TV 88/90	AT-49(qx)	TV 73/77	AT-49(qx)
Disability table	50% EKV 80	Light-Average (ix)	50% EKV 80	Light-Average (ix)
Expected % of subscription by employees eligible for early retirement	(a)	Not applicable	(a)	Not applicable

(a) In 2002, 100% of the eligible population (employees entitled to early retirement in accordance with the Collective Bargaining Agreement: 36 years service aged at least 60 or 40 years service of any age) and 70% of employees aged 55 or more. As from 2003, 40% of the eligible population.

As mentioned above, only part of the liabilities for the Pension Plan is financed through the Pension Funds, the remainder being recognised in accordance with IAS 19, by means of a provision detailed hereunder:

	2003			2002		
	Portugal	**Brazil**	**Group**	**Portugal**	**Brazil**	**Group**
	Euro 000	**Euro 000**	**Euro 000**	**Euro 000**	**Euro 000**	**Euro 000**
Provision for Pension Plans						
Liabilities at the end of the period	1,412,541	64,750	1,477,291	1,394,075	54,658	1,448,733
Fund assets at the end of the period	(785,147)	(31,355)	(816,502)	(727,258)	(22,687)	(749,945)

Unfunded liabilities	627,394	33,395	660,789	666,817	31,971	698,788
Deferred actuarial losses (i)	(506,600)	(4,553)	(511,153)	(474,033)	(13,212)	(487,245)
Value of the provision at the end of the period	120,794	28,842	149,636	192,784	18,759	211,543

(i) The international accounting standards adopted by EDP allowed deferred actuarial gains/losses to be recognised systematically in the statement of income for the year by amortising the amount that exceeded, in the previous year, 10% of the value of the greater of the liabilities or assets of the Fund. Such amortisations are calculated for the period corresponding to the average remaining length of service of the active population.

The components of consolidated net cost recognised during the period with these plans are as follows:

	2003			**2002**		
	Portugal	**Brazil**	**Group**	**Portugal**	**Brazil**	**Group**
	Euro 000	**Euro 000**	**Euro 000**	**Euro 000**	**Euro 000**	**Euro 000**
Cost for the period						
Cost of the service	11,193	1,047	12,240	11,977	1,243	13,220
Cost of interest	78,843	6,006	84,849	83,123	5,703	88,826
Return on the Funds assets	(44,286)	(5,800)	(50,086)	(54,063)	(1,968)	(56,031)
Worker contributions		(552)	(552)		(706)	(706)
Amortization of deferred actuarial losses	25,718		25,718	17,045		17,045
Net cost for the period	71,468	701	72,169	58,082	4,272	62,354

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The plan assets of the Pension Funds was as follows

	2003			2002		
	Portugal Euro 000	Brazil Euro 000	Group Euro 000	Portugal Euro 000	Brazil Euro 000	Group Euro 000
Change in plan assets						
Assets at the beginning of period	727,258	22,687	749,945	754,270	27,016	781,286
Group Contributions	54,340	3,947	58,287	48,596	4,073	52,669
Worker contributions		552	552		706	706
Pensions paid during the period	(50,340)	(1,516)	(51,856)	(52,058)	(1,539)	(53,597)
Return of the Funds	44,286	5,800	50,086	54,063	1,968	56,031
Actuarial gains (losses)	9,603	(413)	9,190	(77,613)	4,846	(72,767)
Currency fluctuation		297	297		(14,383)	(14,383)
Assets at the end of the period	785,147	31,355	816,502	727,258	22,687	749,945

The assets of the Pension Fund in Portugal are managed by four independent pension fund management companies of recognised merit. As of December 31, 2003 the composition of and returns on the fund portfolio are as follows:

	Allocation of assets by type				
	Cash %	Bonds %	Shares %	Real Estate %	Total %
Break down of funds assets	5.6%	45.6%	23.7%	25.1%	100.0%
Effective return on investments		1.5%	2.4%	1.9%	5.7%

As a result of the fact that in accounting the costs of pensions and associated charges the EDP Group transposed the provisions of IAS 19 earlier than required, derogating in this way and to this extent the provisions of Accounting Director of 19 which transposed to Portuguese accounting standards the earlier version of the international standard we present hereunder the effects and impacts on the said the derogation. In analysing the differences in this particular case, the EDP Group makes use of the corridor method to recognise actuarial gains and losses, allowing deferral of their impact on results. This technique is one of the options provided for in IAS 19 in paragraphs 92 and 93. Accounting Directive 19, on the contrary, imposes in this matter recognition of actuarial losses and gains directly in results for the year in which they occur and does not accept the corridor alternative or allow deferral of actuarial gains and losses in excess of the said corridor . It therefore imposes a systematic method of immediate recognition in results.

II. Pension Plans - *Defined Contribution Type*

Hidrocantábrico in Spain and Bandeirante and Escelsa in Brazil have social benefits Defined-contribution plans that complement those benefits granted by the Social Welfare Systems to the Group companies employees, under which they pay a contribution to these plans each year, calculated in accordance with the rules established in each case.

III. Liability for Medical Care Plans - *Defined Benefit Type*

In Portugal, Group companies resulting from the split of EDP in 1994 have a Medical Care Plan of the defined-benefit type, supported through a provision that covers the whole of these liabilities. The evolution of consolidated liabilities for past services inherent in the EDP Group medical care plan has been as follows:

	Group - Portugal	
	2003	2002
	Euro 000	Euro 000
Change in benefit obligation		
Liabilities at the beginning of the period	496,201	474,371
Cost of current services	5,942	6,540
Cost of interest	29,049	30,096
Benefits paid	(24,099)	(22,735)
Actuarial losses	153,162	7,929
Liabilities at the end of the period	660,255	496,201

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The following financial and actuarial assumptions were used in calculating the liabilities associated with this medical care plan:

	Group - Portugal	
	2003	2002
	Euro 000	Euro 000
Assumptions		
Discount rate	5.20%	6.00%
Annual growth rate of medical services costs	4.5%(a)	4.5%(a)
Mortality table	(b)	(b)
Disability table	(b)	(b)
Expected % of subscription by employees eligible for early retirement	(b)	(b)

(a) 4.5% during the first 10 years and 4.0% during the remaining years
(b) As mentioned in the Pension Plan assumptions

As mentioned above, Medical Care Plan liabilities are recognised in the Group s accounts through a provision, which is presented below:

	Group - Portugal	
	2003	2002
	Euro 000	Euro 000
Provision for Medical Care Plans		
Liabilities at the end of the period	660,255	496,200
Deferred actuarial losses (i)	(247,628)	(99,487)
Value of the provision at the end of the period	412,627	396,713

(i) The international accounting standards adopted by EDP allowed deferred actuarial gains/losses to be recognised systematically in the statement of income through amortisation of the amount exceeding, in the previous year, 10% of the amount of the greater of the liabilities or of the assets of the Fund. These amortisations are calculated for the period corresponding to the estimated average remaining length of service of the active population.

The components of net consolidated cost recognised during period with this plan are as follows:

	Group - Portugal	
	2003	2002
	Euro 000	Euro 000
Cost for the period		
Cost of the service	5,942	6,540
Cost of interest	29,049	30,096
Amortization of the deferred transitory obligation (i)	5,022	4,873
Net cost for the period	40,013	41,509

19. Deferred revenue and other liabilities

The balance **Deferred revenue and other liabilities** is analysed as follows:

	Group	
	2003	2002
	Euro 000	Euro 000
Subsidies for investment in fixed assets	1,546,101	1,339,085
Deferred taxes	616,056	344,122
Provision for financial assets	92,696	
Provisions for other contingencies and liabilities	164,615	198,027
Concession fixed assets held - (Reg. DL 344-B/82)	9,079	16,650
State share in Multipurpose hydroelectric power stations	14,996	19,740
Reclassifications between headings of customers and other debtors	39,843	41,239
Recognition of liabilities on the sale of OPTEP in 2002	315,000	
Supplies of fixed assets	74,618	
Electricity tariff compensations in Brazil	35,013	
Other creditors and sundry operations	54,393	49,150
	2,962,410	2,008,013

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As an immediate consequence of the full application by the EDP Group for the first time of IAS 39: Measurement and Recognition of financial instruments, the Creditors Medium/long-term heading of the Group, includes an entry of the EDP Group s liability as a result of the sale of 100% of the OPTEP/Optimus asset (see Note 7) in 2002, since there is an Optimus/OPTEP selling price adjustment mechanism clause with the buyer, and consequently, in accordance with the IAS 39, it cannot be specified as a sale/firm commitment. In accordance with the international standard, the asset sold in 2002 is carried in full under assets and the respective liability, also in full, is carried under the Group s liability, while price fluctuations are recognized as though the matter was one of investments available for sale for as long as the said clause is in force until March 22, 2005.

In respect of **Deferred tax liabilities**, the EDP Group records in its accounts the tax effect arising from temporary differences between the assets and liabilities determined from an accounting standpoint and from a taxation standpoint, and this is broken down by company as follows:

	Deferred Tax Liabilities	
	2003 Euro 000	2002 Euro 000
Individual - EDP, SA	474,839	285,789
ONI Group	719	779
EDP Brasil Group	103,066	25,132
Hidrocantábrico Group	37,432	32,422
EDP Group	616,056	344,122

The breakdown of **Deferred Tax Liabilities** is as follows:

	Group Euro 000
Balance as at January 1, 2003	344,122
Profit and loss account charge:	
Provisions	920
Depreciation	(24,036)
Book revaluations	(3,014)
Tariff deviation	23,579
Other	930
Charge for the year	(1,621)

Reserve s charge:	
Revaluation of tangible fixed assets	220,050
Book revaluations	34,637
Other	18,868
Charge against reserves	273,555
Balance as at December 31, 2003	616,056

The movements in provisions for **Financial Assets** were as follows**:**

	Group	
	2003	**2002**
	Euro 000	**Euro 000**
Opening balance		
Increases	114,695	
Decreases	(21,999)	
Closing balance	92,696	

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The movements in provisions for **Other Contingencies and Liabilities** were as follows**:**

	Group	
	2003	**2002**
	Euro 000	**Euro 000**
Opening balance	198,027	147,601
Changes in subsidiaries		77,527
Increases	39,978	3,972
Decreases	(73,390)	(31,073)
Closing balance	164,615	198,027

20. Minority interests

This balance is analysed as follows:

	Group	
	2003	**2002**
	Euro 000	**Euro 000**
ONI Group	(89,141)	(11,449)
Edinfor Group	3,222	7,090
Brazil Group	150,273	71,122
Hidrocantábrico Group	175,336	
Other	(3,205)	(1,564)
	236,485	65,199

21. Hydrological correction account

The balance **Hydrological correction account** is analysed as follows:

	Group	
	2003	**2002**
	Euro 000	**Euro 000**
Opening balance on January 1	324,111	387,506
Differential for the year.	71,916	(76,080)
Hydrological correction bonuses	(19,350)	
Financial charges	10,829	12,685
Closing balance on December 31.	387,506	324,111

The Hydrological Correction Account is a mechanism that was legally instituted (Decree-Law 338/91) to compensate variable electricity production costs. In dry years the thermoelectric system is overused and the spending on fuel or on the import of electricity increases significantly. In wet years the situation is reversed. Electricity supply tariffs for the customers of the SEP cannot be altered in the light of the cost fluctuations caused by the hydraulicity. In accordance with Order-in-Council 987/2000, the hydrological correction account is assigned to the EDP accounts and, consequently, it is carried in an account under liabilities in its balance sheet, and the corresponding movements for the year are detailed in the notes to the financial statements.

The annual amount of the hydrological correction is calculated in accordance with parameters established by law, and includes:

(i) The differential between the economic cost of electricity production and the reference economic cost, which is borne by REN as the RNT concessionaire and sole manager of the hydrological correction account. EDP pays REN each month the positive differentials and receives from REN the negative differentials. These payments and revenues are recorded with a contra entry in the hydrological correction account;

(ii) the financial costs or income associated with the accumulated balance of this account constitute an EDP cost or income; (iii) the part corresponding to the amount necessary to make the expected value of the balance, within 10 years, equal to an adequate benchmark, when it reflects a debit to the hydrological correction account, constitutes EDP income, when it reflects a credit, the REN is obliged to make the respective payment to EDP. The corresponding cost is included in the REN electricity-selling tariff to the tied distribution company (EDP Distribuição), constituting a cost for the latter to be recovered through its customer selling prices. Movements under the hydrological correction account are subject to approval by ministerial order.

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22. Share capital

The share capital amounts to Euro 3 billion represented by 3,000,000,000 ordinary shares each of a par value of 1 euro, and is fully paid-up.

The breakdown of the earnings per share (EPS) is as follows:

	Group	
	2003	**2002**
Consolidated net profit in Euros	381,108,991	335,215,826
Average number of shares in the year	3,000,000,000	3,000,000,000
Net Profit per share - Basic - Euros	0.13 euros	0.11 euros

EDP, which began as a state-owned Company, was successively transformed into a *sociedade anónima* (limited liability company under Portuguese law) wholly owned by the public sector and then into a *sociedade anónima* with a majority of its share capital owned by the public sector. It is currently a sociedade anónima in whose share capital the State and other Public Entities have a minority holding. The privatisation process began in 1997, and the second and third stages of the privatisation took place in 1998 and the fourth stage in 2000, following which the State now holds about 30% of the share capital, directly and indirectly.

The EDP Group calculates its basic and diluted earnings per share in accordance with IAS 33, under the terms of which earnings per share are calculated using the weighted average of the shares issued during the reporting period.

23. Legal reserve

In accordance with article 295 of Companies Code and with the EDP articles of association, the Legal Reserve must be increased by a minimum of 5% of the annual profits until such time as its value equals 20% of the company s share capital. This reserve may be used only to cover losses or to increase share capital.

24. Treasury stock

This balance is analysed as follows:

	Group	
	2003 Euro 000	2002 Euro 000
Book value of EDP, SA shares	49,020	43,494
Number of EDP SA shares	21,430,964 shares	17,428,926 shares
Market price of EDP, SA shares as at December 31	2.09 euros	1.59 euros
Market value of EDP, SA shares as at December 31	44,791	27,712

The treasury shares held by EDP, S.A., lie within the limits established by the Company s articles of association and by the Companies Code.

25. Reserves and retained earnings

This balance is analysed as follows:

	Group	
	2003 Euro 000	2002 Euro 000
Legal reserves	326,391	309,631
Revaluation reserves	89,449	1,172,729
Other reserves and retained earnings	3,031,892	1,287,194
Fair-value adjustments of investments available for sale	10,756	(268,975)
Net profit	381,109	335,216
Currency translation arising on consolidation	(572,500)	(379,468)
Other reserves arising on consolidation	(920,070)	81,349
	2,347,027	2,537,676

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The balance of potential gains and losses on the balance sheet date in respect of investments available for sale is carried in a specific account under shareholders equity, namely fair value adjustments. The breakdown of the movement during the year under this heading in respect of Medium/Long-term investments classified as available for sale in the Group, impacting directly in this account, is as follows :

	Group	
	Gains	Losses
	Euro 000	Euro 000
Net balance of fair value adjustments as at January 1, 2003		(268,975)
CERJ - Companhia Eléctrica do Estado Rio Janeiro		(9,050)
Iberdrola (cancellation due to sale)		21,223
Galp, SGPS	5,644	
Reclassification of the 2002 loss on BCP shares to retained earnings as a result of the implementation in full of IAS 36 and 39 (see Note 39)		247,750
BCP - Banco comercial Português		(27,889)
OPTEP (Optimus)	42,303	(250)
Balance of fair value adjustments as at December 31, 2003	47,947	(37,191)
Net balance of fair value adjustments as at December 31, 2003		10,756

The amount resulting from the fluctuation in local currency of the Shareholders Equity of the Subsidiary and Associate Companies expressed in foreign currencies resulting from the fluctuation of the respective exchange rates is recorded under Currency Translation arising on consolidation. The exchange rates used in the preparation of the Financial Statements are as follows:

		Exchange rates in 2003		Exchange rates in 2002	
Currency		Rates Closing	Average exchange-rate	Rates Closing	Average exchange-rate
American dollar	USD	1.2630	1.1312	1.0487	0.9456
Brazilian Real	BRL	3.6640	3.4590	3.7120	2.8010
Macao Pataca	MOP	10.0990	9.0340	8.4000	7.5900

The contra entry of the adjustments made to the headings of tangible fixed assets and financial investments in properties caused by the various revaluations undertaken, net of amounts used to increase the share capital and to cover retained losses, and the corresponding deferred taxes are carried under Revaluation Reserves. These revaluations were undertaken pursuant to the following legislation:

Decree-law no. 430/78	Decree-law no. 111/88
Decree-law no. 219/82	Decree-law no. 7/91
Decree-law no. 399-G/84	Decree-law no. 49/91
Decree-law no. 171/85	Decree-law no. 264/92
Decree-law no. 118-B/86	

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Article 8 of Decree-Law 7/91, of January 8, which determined the formation of new *sociedades anónimas* constituted by means of the simple split of EDP, called for the valuation of EDP s assets, the valuation having been undertaken by entities selected from among those previously qualified by the Finance Ministry for the purpose and subjected to the approval of the Finance Minister. This evaluation, pursuant to Decree-Law 22/92 of February 14, is used for tax purposes, particularly with regard to the calculation of depreciation charges for the year. The following is a comparison of the book value of the tangible fixed assets with their respective historic costs:

	2003			2002		
	Historic costs Euro 000	Revaluation Euro 000	Revalued amounts Euro 000	Historic costs Euro 000	Revaluation Euro 000	Revalued amounts Euro 000
Gross assets	14,558,852	10,454,013	25,012,865	13,174,870	10,454,013	23,628,883
Depreciation	(5,034,618)	(9,513,950)	(14,548,568)	(4,124,019)	(9,322,693)	(13,446,712)
Net assets	9,524,234	940,063	10,464,297	9,050,851	1,131,320	10,182,171

During fiscal 2003, of the overall amount of the revaluation reserve, (i) the sum of Eur 136,838,000 was constituted/transferred by way of deferred taxes, and (ii) the sum of Eur 946,442,000 was transferred to retained earnings in respect of revalued assets wholly depreciated and written off. Following these transfers, final amount of the Revaluation Reserve stood at Eur 89,449,000 as at December 31, 2003.

The reserves under Decrees-Law 46031 and 46914 for Self-financing and for Complement of the Financial Amortization were set up in accordance with the provisions of loan contracts entered into with the International Bank for Reconstruction and Development, the outstanding principal of which was repaid in full during 1991.

26. Revenues

The **Revenues**, with breakdown **by Sales and Services rendered**, and by contribution of each business, is analysed as follows:

	Group		
	2003 Euro 000	2002 Euro 000	2001 Euro 000

Sales by sector of activity/business:			
Electricity	6,296,103	5,876,158	5,201,275
Steam and ashes	22,061	18,651	12,361
Gas	105,311		
Information systems and technologies	26,850	50,861	29,800
Telecommunications	3,889	23,701	30,125
Other Businesses	2,147	18,769	25,681
	6,456,361	5,988,140	5,299,242
Services rendered by sector of activity/business:			
Associated with electricity sales	80,122	18,996	9,235
Thermo/Hydro electricity engeneering	6,457	5,311	9,347
Information systems and technologies	69,999	65,174	108,679
Telecommunications	312,334	273,780	151,839
Consultancy and services	12,283	4,536	20,964
Other	39,964	30,620	51,068
	521,159	398,417	351,132
TOTAL TURNOVER by business:			
Electricity	6,376,225	5,895,154	5,210,510
Steam and ashes	22,061	18,651	12,361
Thermo/Hydro electricity	6,457	5,311	9,347
Gas	105,311		
Information systems and technologies	96,849	116,035	138,479
Telecommunications	316,223	297,481	181,964
Other	54,394	53,925	97,713
	6,977,520	6,386,557	5,650,374

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The breakdown of **Sales** is as follows:

	2003			2002		
	Iberian Market	Brazilian market	Total	Iberian Market	Brazilian market	Total
Electricity:						
To the National Transport network	1,339,411		1,339,411	1,323,894		1,323,894
To final customers:						
- Very high tension	9,509		9,509	37,936	5,629	43,565
- High tension	368,126	242,604	610,730	167,222	126,130	293,352
- Medium tension	738,351	289,371	1,027,722	812,018	172,582	984,600
- Low tension (>39,6 KVA)	313,193		313,193	271,247		271,247
- Low tension	2,424,190	388,807	2,812,997	2,380,945	398,188	2,779,133
- Low tension (Public lightning)	95,731		95,731	86,614	14,977	101,591
Embedded generation	37,062		37,062	38,285		38,285
Discounts and tariff difference	49,748		49,748	45,304	(4,813)	40,491
	5,375,321	920,782	6,296,103	5,163,465	712,693	5,876,158
Other Sales:						
- Steam and ashes	19,748	2,313	22,061	18,651		18,651
- Gas	105,311		105,311			
- Printed forms	10,492		10,492	10,942		10,942
- Telecommunications equipment	3,711		3,711	23,701		23,701
- Data network equipment				23,236		23,236
- PC equipment	13,409		13,409	24,470		24,470
- Other	5,274		5,274	10,982		10,982
	157,945	2,313	160,258	111,982		111,982
	5,533,266	923,095	6,456,361	5,275,447	712,693	5,988,140

	2001		
	Iberian Market	Brazilian market	Total
Electricity:			

To the National Transport network	1,214,073		1,214,073
To final customers:			
- Very high tension	36,837	19,924	56,761
- High tension	175,100	208,259	383,359
- Medium tension	782,980	186,254	969,234
- Low tension (>39,6 KVA)	261,227		261,227
- Low tension	1,965,301	268,373	2,233,674
- Low tension (Public lightning)	83,918	12,514	96,432
Embedded generation	12		12
Discounts and tariff difference	(8,682)	(4,815)	(13,497)
	4,510,766	690,509	5,201,275
Other Sales:			
- Steam and ashes	12,361		12,361
- Gas			
- Printed forms	11,352		11,352
- Telecommunications equipment	30,125		30,125
- Data network equipment	253		253
- PC equipment	29,548		29,548
- Other	14,328		14,328
	97,967		97,967
	4,608,733	690,509	5,299,242

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The breakdown of **Gross profit on Sales** is as follows:

	Group		
	2003	**2002**	**2001**
	Euro 000	**Euro 000**	**Euro 000**
Sales:			
Electricity	6,296,103	5,876,158	5,201,275
Steam and ashes	22,061	18,651	12,361
Gas	105,311		
Information systems and technologies	26,850	50,861	29,800
Telecommunications	3,889	23,701	30,125
Other Businesses	2,147	18,769	25,681
	6,456,361	5,988,140	5,299,242
Cost of sales - Raw materials and consumables :			
Electricity	3,360,268	3,005,526	2,524,293
Fuel, steam and ashes	398,034	465,527	377,192
Information technologies	19,143	36,207	39,969
Telecommunications	6,571	53,378	20,683
Other activities	137,030	126,459	116,727
	3,921,046	3,687,097	3,078,864
	2,535,315	2,301,043	2,220,378

The breakdown of **Services rendered** is as follows:

	Group		
	2003	**2002**	**2001**
	Euro 000	**Euro 000**	**Euro 000**
Associated with electricity sales	80,122	18,996	9,235
Engineering studies and designs	6,457	5,311	9,347

IT services	69,999	65,174	108,679
Voice services - urban calls	227,181	191,437	108,839
Other telecommunications services	85,153	82,343	43,000
Provision of collection services	11,004	8,787	7,630
Consultancy, management and co-ordination	1,279	4,536	20,964
Other services provided	39,964	21,833	43,438
	521,159	398,417	351,132

The breakdown of **Revenues by geographic market** is as follows:

	Group		
	2003	**2002**	**2001**
	Euro 000	**Euro 000**	**Euro 000**
Portugal	5,143,257	5,203,731	4,887,232
Spain	856,848	452,150	61,545
Brazil	977,415	730,676	701,597
	6,977,520	6,386,557	5,650,374

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EDP - Electricidade de Portugal, S.A. and Subsidiaries

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27. Personnel costs

The balance **Personnel costs** is analysed as follows:

	Group		
	2003	**2002**	**2001**
	Euro 000	**Euro 000**	**Euro 000**
Corporate officers remuneration	15,258	15,988	16,278
Employees remuneration	413,552	411,630	386,122
Charges on remuneration	192,539	156,540	139,692
Other staff costs	25,287	40,613	49,881
	646,636	624,771	591,973

The breakdown by management positions and professional category of the permanent staff as at December 31, 2003, 2002 and 2001 is as follows:

	Group		
	2003	**2002**	**2001**
Managers/ Head of Department	462	621	535
Senior management	2,755	3,167	2,054
Middle management	2,484	2,252	528
Intermediate management	247	353	220
Highly-skilled workers	8,612	7,630	2,718
Skilled workers	1,123	423	4,641
Semi-skilled workers	927	845	983
Unskilled workers	778	906	30
	17,388	16,197	11,709

As at December 31, 2003, the number of employees in service, including those on temporary contract, totalled 17,664 (18,455 in 2002). These figures include all the employees of all the consolidated companies (purchase or proportional method), regardless of the EDP holding in the share capital.

As at December 31, 2002, the employees assigned to ONI in Spain and the employees assigned to Hidrocantábrico were not included.

The remuneration of the corporate officers of EDP - Electricidade de Portugal, S.A., was as follows:

	Group		
	2003 Euro 000	2002 Euro 000	2001 Euro 000
Board of Directors	3,089	2,815	2,815
External Auditor and Official auditor (EDP, S.A. only)	82	82	82
	3,171	2,897	2,897

During 2003 the EDP Remuneration Committee, in keeping with the mandate that had been given to it at the General Meeting held in May 2003, granted the members of the Board of Directors extraordinary remuneration in respect of the 2002 results, in the total sum of Eur 606,000 of which Eur 585,000 were for executive directors and Eur 21,000 for non-executive directors.

EDP - Electricidade de Portugal, S.A. and Subsidiaries

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December 31, 2003, 2002 and 2001

28. Depreciation and amortization

The balance **Depreciation and amortization** is analysed as follows:

	Group		
	2003 Euro 000	**2002** Euro 000	**2001** Euro 000
Tangible fixed assets:			
Fixed assets under concession the Decree-law 344-B/82	3,229	4,284	4,882
Buildings and other constructions	9,703	6,442	6,162
Plant and machinery			
Hydroelectricity generation	128,850	129,004	125,406
Thermoelectric generation	103,778	98,101	96,507
Electricity distribution	445,808	385,319	339,511
Other plant and machinery	60,928	48,906	45,991
Transport equipment	10,418	8,189	7,558
Administrative equipment	37,850	24,314	18,170
Other tangible fixed assets	2,527	1,547	1,790
	803,091	706,106	645,977
Intangible fixed assets:			
Set-up costs	15,145	14,856	13,393
Research and development costs	17,294	15,471	3,883
Industrial property and other rights	7,164	3,108	1,438
Other intangible assets on telecommunications business	2,898		
	42,501	33,435	18,714
	845,592	739,541	664,691

29. Supplies and services

This balance is analysed as follows:

	Group		
	2003	2002	2001
	Euro 000	Euro 000	Euro 000
Subcontracts:			
Subcontracts	209,239	179,074	113,097
Other subcontracts	5,916		
Supplies and services:			
Water, electricity and fuel	12,335	8,261	9,650
Utensils and office material	5,066	6,511	6,952
Leases and rents	52,010	51,186	40,555
Communications	30,967	21,246	33,650
Insurance	19,636	18,386	10,886
Transport, travel, and the board and lodging	12,972	12,503	13,685
Commissions and fees	10,887	16,724	18,789
Maintenance and repairs	94,127	99,886	95,042
Advertising and propaganda	12,545	20,970	23,557
Specialised work	130,757	187,548	231,475
Other supplies and services:	36,061	52,775	53,892
	632,518	675,070	651,230

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EDP - Electricidade de Portugal, S.A. and Subsidiaries

Notes to the Financial Statements

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30. Own work capitalized

This balance is analysed as follows:

	Group		
	2003 Euro 000	2002 Euro 000	2001 Euro 000
Consumption of materials	99,327	70,695	84,020
Direct internal costs and overheads	105,401	113,220	83,083
Financial charges	24,005	16,036	14,478
Other own work capitalized	6,890	41,818	50,938
	235,623	241,769	232,519

31. Provisions for the year

This balance is analysed as follows:

	Group		
	2003 Euro 000	2002 Euro 000	2001 Euro 000
Charge for doubtful debt	9,649	24,372	20,464
Charge for pension liabilities	17,008	14,687	63,042
Charge for healthcare liabilities	40,014	57,614	32,480
Charge for other contingencies and liabilities	9,035	3,972	
	75,706	100,645	115,986

32. Other operating expenses net

This balance is analysed as follows:

	Group		
	2003	**2002**	**2001**
	Euro 000	**Euro 000**	**Euro 000**
Other operating income:			
Supplementary income	7,768	8,067	39,961
Operating subsidies	685	453	1,899
Other operating income	9,628	22,094	22,614
	18,081	30,614	64,474
Other operating expenses:			
Direct taxes	398	2,811	898
Indirect taxes	19,092	13,824	12,850
Other operating costs and losses	8,851	8,301	8,228
	28,341	24,936	21,976
Other net operating income / (expenses)	(10,260)	5,678	42,498

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EDP - Electricidade de Portugal, S.A. and Subsidiaries

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December 31, 2003, 2002 and 2001

33. Interest and related income and expenses

The balance **Interest and related income and expenses**, are analysed as follows:

	Group		
	2003	**2002**	**2001**
	Euro 000	**Euro 000**	**Euro 000**
Interest and related income :			
Interest income	65,530	128,599	140,437
Income on application of the equity method	46,464	36,450	25,105
Investment income	36,740	40,042	16,831
Favourable exchange differences	47,559	90,260	62,321
Updating losses on rationing (Brazil)	30,358	15,731	
Other financial gains	82,374	70,638	6,728
	309,025	381,720	251,422
Interest and related expenses :			
Interest expense	399,970	329,860	287,137
Banking services	28,372	57,025	12,647
Losses on application of the equity method	13,308	115,184	13,485
Unfavourable exchange differences	58,273	22,846	63,666
Other financial losses	75,702	14,218	49,029
	575,625	539,133	425,964
Amortization of investments (Goodwill):			
- Concession rights	30,439	53,535	12,683
- Goodwill assets	54,439	11,896	18,108
- Other intangible assets on telecommunications business	7,542		
	92,420	65,431	30,791
	668,045	604,564	456,755
Net Financial Income / (Expenses)	(359,020)	(222,844)	(205,333)

Only in 2001 and 2002 EDP has recorded in interest income, respectively, a financial gain of Eur 88,557 thousand and Eur 89,174 thousand related to early extinguishment of Bandeirante and Escelsa debt.

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34. Other non-operating income / (expenses)

The balance **Other non-operating income / (expenses)** is analysed as follows:

	Group		
	2003 Euro 000	2002 Euro 000	2001 Euro 000
Other non-operating income			
Gains on fixed assets	44,147	53,264	27,682
Recovery of debt	2,652	168	398
Reduction of provisions			
- For customer debt	1,444		
- For financial assets	21,774		
- For other contingencies and liabilities	50,736	76,371	18,681
Corrections to previous years	15,147	9,692	13,305
Compensation of depreciation of part-funded fixed assets	79,822	71,767	63,887
Residual value of Oniway		70,000	
Hydrological correction	19,350		47,466
Other extraordinary gains	45,159	22,694	15,176
	280,231	303,956	186,595
Other non-operating (expenses)			
Losses on stocks	1,442	2,279	2,635
Losses on fixed assets	14,850	41,332	2,635
Bad debt	15,086	9,084	1,385
Fines and penalties	3,228	2,248	74
Corrections to previous years	46,755	13,934	7,467
Extraordinary depreciation			
- Intangible fixed assets		1,991	
- Fixed assets in progress		278,944	
Extraordinary provisions			
- Financial assets	114,695		
- For other debtors	3,461		
- For other contingencies and liabilities	12,535	18,297	3,068
Additional income tax assessment in respect of 1995/97/98		15,926	
Loss on Baixa UTE Campo Grande (Enersul)	6,950	13,963	
Cost of human resources rationalisation	47,810		
Other extraordinary losses	27,862	44,897	43,342

	294,674	442,895	60,606
Net Non-Operating Results	(14,443)	(138,939)	125,989

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EDP - Electricidade de Portugal, S.A. and Subsidiaries

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35. Provisions for income taxes

In accordance with prevailing legislation, tax returns are subject to review and correction by the tax authorities during subsequent years. In Portugal this period is five years, and 1998 was the last year considered to be definitively liquidated by the tax authorities.

Tax losses calculated for given year, also subject to inspection and adjustment, may be deducted from taxable profits during subsequent years. The companies of the EDP Group are taxed, whenever possible, under the consolidated systems allowed by the tax law of the respective countries.

The breakdown of income tax expense is as follows:

	Group		
	2003	**2002**	**2001**
	Euro 000	**Euro 000**	**Euro 000**
Tax base			
Income before income taxes	532,279	286,921	594,188
Permanent differences	192,740	302,779	76,300
	725,019	589,700	670,488
Normal charge	239,256	194,602	234,671
Adjustments	(43,722)	(22,863)	(31,718)
Income tax expenses	195,534	171,739	202,953
Current income taxes	239,255	171,168	244,012
Deferred income taxes	(43,721)	571	(41,059)
Income tax expense	195,534	171,739	202,953

The breakdown of the reconciliation between the nominal and the actual income tax (IRC) rate for the Group in 2003 is as follows:

	2003		
	Tax Base Euro 000	**Tax Euro 000**	**Rate %**
Nominal tax on profits	532,279	175,652	33.0%
- Main effects at taxation level:			
Net depreciation	30,153	9,950	1.9%
Amortization Resulting from revaluation fixed assets	76,503	25,246	4.7%
Net provisions	(25,338)	(8,362)	-1.6%
Corrections to previous years	11,722	3,868	0.7%
Book losses not compensated	303,463	100,143	18.8%
Effects of untaxed equity method	(31,574)	(10,419)	-2.0%
Tariff deviation in electricity business in Portugal	(73,105)	(24,125)	-4.5%
Elimination of double economic taxation	(36,595)	(12,076)	-2.3%
Employee profit-sharing	(21,296)	(7,028)	-1.3%
Excess tax estimate for 2002	(39,602)	(13,069)	-2.5%
Other adjustments to taxable income	(1,591)	(525)	-0.1%
Effective rate and actual tax on profits	**725,019**	**239,255**	**44.8%**

Corporate income tax returns are subject to review and correction by the income tax authorities for a period of six years after the filing of such returns. Accordingly, the last taxation year that can be considered definitively assessed by the income tax authorities in 1998.

36. Segmental reporting

The Segmental Reporting is provided in an appendix subsequent to these notes to the financial statements and it was prepared in accordance with Portuguese Accounting Directive 27 and with international best practices.

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EDP Group Business by Business Segment

Information by business segment - 2003

(Amounts expressed in thousands of euros)

	Portugal		Spain			Brazil				Services	
	Generation [a]	Distribution + Supply	Generation	Distribution + Supply	Gas [b]	Generation	Distribution + Supply	Telecoms	Information Technology	and Other Adjustments	EDP Group
Turnover											
Sales of electricity	1,318,853	3,610,621	256,791	287,655		27,414	928,963			(134,194)	6,296,103
Other sales	19,748	1,946	1,990	28,948	75,867	2,314		7,290	27,023	(4,868)	160,258
Services rendered	26,629	60,246	1,116	12,357	10,108	11,536	37,609	323,820	159,323	(121,585)	521,159
	1,365,230	3,672,813	259,897	328,960	85,975	41,264	966,572	331,110	186,346	(260,647)	6,977,520
Raw materials and consumables											
Purchase of electricity	65,344	2,412,534	50,113	262,196	48,153	5,597	650,926			(134,595)	3,360,268
Fuel costs	312,346		84,078	1,438			265			(93)	398,034
Other materials	3,453	111,336	454	15,862	52	2,294	7,897	6,571	24,453	(9,628)	162,744
	381,143	2,523,870	134,645	279,496	48,205	7,891	659,088	6,571	24,453	(144,316)	3,921,046
Gross Margin	984,087	1,148,943	125,252	49,464	37,770	33,373	307,484	324,539	161,893	(116,331)	3,056,474
Other operating income / (costs)											
Supplies and services	(74,960)	(210,632)	(16,969)	(14,614)	(5,352)	(16,677)	(45,550)	(265,307)	(70,053)	87,596	(632,518)
Personnel costs	(120,339)	(397,060)	(17,971)	(14,902)	(4,227)	(517)	(63,441)	(50,973)	(66,431)	89,225	(646,636)
Own work capitalized	38,232	184,816	2,508	1,266	222			8	8,397	174	235,623
Concession and power-generating rents	(3,894)	(171,749)									(175,643)
Other operating income / (costs)	(6,152)	(778)	1,232	912	(1,186)	(777)	(17,821)	886	294	13,129	(10,261)
	(167,113)	(595,403)	(31,200)	(27,338)	(10,543)	(17,971)	(126,812)	(315,386)	(127,793)	190,124	(1,229,435)
Gross Operating Margin	816,974	553,540	94,052	22,126	27,227	15,402	180,672	9,153	34,100	73,793	1,827,039
	234,351	348,926	27,416	25,156	7,529	4,311	53,954	72,744	24,301	46,904	845,592

Depreciation and amortization											
Provisions	12,742	42,793	295	766	19		11,039	5,076	508	2,468	75,706
Operating Margin	569,881	161,821	66,341	(3,796)	19,679	11,091	115,679	(68,667)	9,291	24,421	905,741
Financial income / (expense)	(76,188)	(37,468)	(18,847)	(9,964)	(5,586)	(15,363)	(14,226)	(38,858)	(7,134)	(42,966)	(266,600)
(Amortization of goodwill and concession rights)		(11)	(20,379)	(11)	(7,600)	(71)	(1)	(19,461)	(5,360)	(39,526)	(92,420)
Current results	493,693	124,342	27,115	(13,771)	6,493	(4,343)	101,452	(126,986)	(3,203)	(58,071)	546,721
Extraordinary gains / (losses)	(4,075)	80,226	(1,118)	1,344	437	(26,414)	14,350	(21,745)	(4,069)	(53,379)	(14,443)
Profit before taxes	489,618	204,568	25,997	(12,427)	6,930	(30,757)	115,802	(148,731)	(7,272)	(111,450)	532,278
Income taxes	164,130	51,065	4,820	(4,350)	2,426	1,190	36,857	(17,658)	2,967	(45,913)	195,534
Minority interests	(164)		181		5,034	(2,172)	22,825	(58,055)	(4,041)	(7,973)	(44,365)
Net attributable profit	325,652	153,503	20,996	(8,077)	(530)	(29,775)	56,120	(73,018)	(6,198)	(57,564)	381,109
Other information :											
Tangible fixed assets	4,367,736	4,477,925	711,682	219,064	157,618	259,135	665,181	233,623	95,401	464,234	11,651,599
Intangible fixed assets	6,663	756	139,837	199,870	14,567	978	29,403	181,814	8,878	367,417	950,183
Current assets	1,108,217	1,072,971	76,661	81,144	43,894	38,933	781,218	170,896	110,993	(420,111)	3,064,816
Shareholders equity	4,101,294	1,658,780	368,534	194,150	113,526	108,043	428,732	(204,018)	53,835	(1,524,869)	5,298,007
Current liabilities	3,423,871	3,502,151	105,685	80,416	33,229	127,582	618,986	854,089	207,351	(4,130,949)	4,822,411
Investment in fixed assets	281,812	405,211	37,874	20,736	11,918	59,091	74,215	28,564	58,784	25,069	1,003,274

(a) The electricity generation includes the renewables segment

(b) The commercial activity of the Gas segment is aggregated with the Distribution and Supply

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EDP Group Business by Business Segment

Information by business segment - 2002

(Amounts expressed in thousands of euros)

	Portugal		Spain			Brazil			Services and Other	
	Generation	Distribution + Supply	Generation	Distribution + Supply	Gas [a]	Distribution	Telecoms	Information Technology	Adjustments	EDP Group
Turnover										
Sales of electricity	1,425,432	3,503,395	145,063	150,126		668,597			(16,454)	5,876,158
Other sales	18,651	1,738	2,501	7,587	10,477		46,729	35,510	(11,210)	111,983
Services rendered	18,212	33,075	773	6,262	1,062		274,057	188,494	(123,518)	398,417
	1,462,295	3,538,208	148,337	163,975	11,539	668,597	320,786	224,004	(151,183)	6,386,558
Raw materials and consumables										
Purchase of electricity	37,277	2,386,353	33,600	120,511		486,530			(58,745)	3,005,526
Fuel costs	465,527		38,270	1,056					(39,326)	465,527
Other materials	4,377	80,121	190	1,128	3,314	3,979	53,378	31,640	37,917	216,044
	507,182	2,466,474	72,060	122,695	3,314	490,509	53,378	31,640	(60,155)	3,687,097
Gross Margin	955,114	1,071,734	76,277	41,280	8,225	178,088	267,408	192,364	(91,028)	2,699,461
Other operating income / (costs)										
Supplies and services	(72,963)	(209,157)	(14,491)	(26,859)	(1,538)	(36,038)	(293,736)	(75,121)	54,833	(675,070)
Personnel costs	(119,559)	(380,554)	(9,358)	(8,013)	(954)	(39,569)	(89,691)	(75,470)	98,398	(624,771)
Own work capitalized	26,183	161,777	(385)	2,866	173	793	30,225	12,633	7,503	241,769
Concession and power-generating rents	(3,664)	(154,008)							(504)	(158,176)
Other operating income / (costs)	5,393	8,832	42	433	92	(6,293)	5,685	862	(9,368)	5,678
	(164,610)	(573,110)	(24,193)	(31,574)	(2,227)	(81,107)	(347,516)	(137,096)	150,862	(1,210,570)
Gross Operating Margin	790,504	498,624	52,084	9,705	5,999	96,981	(80,108)	55,268	59,833	1,488,890
	228,231	333,619	17,103	7,515	2,251	34,227	66,852	18,924	30,819	739,541

Depreciation and amortization										
Provisions	11,612	65,331	2,283	291	279	1,393	7,881	781	10,793	100,645
Operating Margin	550,661	99,674	32,697	1,899	3,468	61,362	(154,841)	35,563	18,221	648,704
Financial income / (expense)	(90,135)	(47,164)	(16,184)	(5,497)	(1,718)	2,755	(26,579)	(8,503)	35,611	(157,413)
(Amortization of goodwill and concession rights)			(5,692)	(6,326)	(2,325)		(16,012)	(5,353)	(29,724)	(65,431)
Current results	460,526	52,510	10,822	(9,924)	(574)	64,117	(197,432)	21,707	24,108	425,860
Extraordinary gains / (losses)	7,066	85,660	(3,366)	(1,739)	(90)	(23,688)	(259,328)	(6,890)	63,436	(138,939)
Profit before taxes	467,592	138,170	7,456	(11,663)	(664)	40,429	(456,760)	14,817	87,544	286,921
Income taxes	170,643	41,836	1,558	(2,711)	(618)	(29,772)	(33,483)	6,617	17,668	171,739
Minority interests			(391)			24,338	(230,066)	394	(14,309)	(220,034)
Net attributable profit	296,949	96,334	6,289	(8,951)	(47)	45,862	(193,212)	7,806	84,185	335,216
Other information :										
Tangible fixed assets	4,324,116	4,329,978	721,619	212,378	49,647	673,956	242,869	85,464	564,210	11,204,237
Intangible fixed assets	5,877	143	148,667	209,204	569	12,403	219,646	9,259	498,395	1,104,164
Current assets	842,134	811,182	96,099	76,259	11,440	812,274	347,794	169,594	(530,905)	2,635,871
Shareholders equity	3,862,590	1,519,190	412,067	195,503	56,786	344,281	(86,287)	67,779	(877,727)	5,494,182
Current liabilities	726,865	2,477,066	198,193	105,604	26,785	294,985	1,076,689	183,107	(231,822)	4,857,472
Investment in fixed assets	238,365	384,823	55,216	33,258	13,880	25,382	228,619	28,199	47,911	1,055,653

(a) The commercial activity of the Gas segment is aggregated with the Distribution and Supply

(b) Profit and loss account of Hidrocantábrico Group included in EDP Group s accounts by the proportional method with a 40% interest shareholding

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EDP Group Business by Business Segment

Information by business segment - 2001

(Amounts expressed in thousands of euros)

	Portugal		Brazil			Services	
	Generation [(a)]	Distribution + Supply	Distribution + Supply	Telecoms	Information Technology	and Other Adjustments	EDP Group
Turnover							
Sales of electricity	1,267,922	3,282,544	690,509			(39,701)	5,201,275
Other sales	12,361	1,620		30,893	39,149	13,944	97,967
Services rendered	14,600	19,895		157,031	149,883	9,722	351,132
	1,294,883	3,304,060	690,509	187,924	189,032	(16,034)	5,650,374
Raw materials and consumables							
Purchase of electricity	3,653	2,060,291	497,387			(37,038)	2,524,293
Fuel costs	377,192						377,192
Other materials	3,909	107,544	2,785	20,683	34,164	8,294	177,379
	384,754	2,167,836	500,172	20,683	34,164	(28,744)	3,078,864
Gross Margin	910,129	1,136,224	190,337	167,241	154,868	12,710	2,571,510
Other operating income / (costs)							
Supplies and services	(69,595)	(215,878)	(36,367)	(219,072)	(65,665)	(44,654)	(651,230)
Personnel costs	(113,481)	(368,621)	(43,876)	(75,885)	(65,398)	75,288	(591,973)
Own work capitalized	23,900	153,756		38,535	21,680	(5,351)	232,519
Concession and power-generating rents	(3,437)	(145,659)				(18)	(149,114)
Other operating income / (costs)	3,644	18,132	(4,743)	5,930	4,400	15,134	42,498
	(158,969)	(558,270)	(84,986)	(250,492)	(104,983)	40,399	(1,117,300)
Gross Operating Margin	751,161	577,954	105,351	(83,251)	49,885	53,110	1,454,210
Depreciation and amortization	225,182	327,827	35,827	48,868	17,796	9,191	664,691
Provisions	9,805	54,730	4,911	3,742	960	41,839	115,986
Operating Margin	516,175	195,397	64,613	(135,861)	31,129	2,080	673,533
Financial income / (expense)	(92,414)	(25,076)	32,793	(31,842)	(4,235)	(84,559)	(205,333)

(Amortization of goodwill and concession rights)				(9,861)	(5,250)	15,111	
Current results	423,761	170,321	97,406	(177,565)	21,644	(67,367)	468,200
Extraordinary gains / (losses)	6,448	90,427	(10,769)	4,470	(795)	36,208	125,989
Profit before taxes	430,209	260,748	86,637	(173,095)	20,849	(31,159)	594,189
Income taxes	141,631	73,297	19,242	(51,526)	7,716	12,593	202,953
Minority interests	(151)			(62,918)	3,285	226	(59,559)
Net attributable profit	288,729	187,451	67,395	(58,651)	9,848	(43,978)	450,795

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Additional disclosure of Brazil and Hidrocantábrico business Segment

(Amounts expressed in thousands of euros)

	Brazil								Spain	
	2003				2002			2001	2003	2002
	Distribution + Supply				Distribution			Distribution		
	Bandeirante	Escelsa	Enersul	Enertrade	Bandeirante	Escelsa	Enersul	Bandeirante	HC Group [(a)]	HC Group [(a)]
Turnover										
Sales of electricity	467,235	255,768	159,779	46,181	567,781	68,036	32,780	690,509	542,228	295,128
Other sales									105,310	20,048
Services rendered	16,834	17,055	3,154	566					15,007	6,176
	484,069	272,823	162,933	46,747	567,781	68,036	32,780	690,509	662,545	321,351
Raw materials and consumables										
Purchase of electricity	356,965	167,728	83,334	42,899	429,063	39,316	18,151	497,387	358,245	154,054
Fuel costs	265								85,513	39,326
Other materials	2,029	2,497	3,371		2,866	469	644	2,785	6,301	2,190
	359,259	170,225	86,705	42,899	431,929	39,785	18,795	500,172	450,059	195,570
Gross Margin	124,810	102,598	76,228	3,848	135,852	28,251	13,985	190,337	212,486	125,781
Other operating income / (costs)										
Supplies and services	(21,742)	(12,428)	(10,307)	(1,073)	(27,683)	(4,322)	(4,033)	(36,367)	(33,369)	(41,068)
Personnel costs	(26,689)	(20,531)	(15,410)	(811)	(31,769)	(4,372)	(3,428)	(43,876)	(37,100)	(18,325)
Own work capitalized					793				3,996	2,654
Concession and power-generating rents										
Other operating income / (costs)	(2,749)	(10,341)	(4,683)	(48)	(4,759)	(1,534)		(4,743)	(2,608)	(1,254)
	(51,180)	(43,300)	(30,400)	(1,932)	(63,418)	(10,228)	(7,461)	(84,986)	(69,081)	(57,993)
Gross Operating Margin	73,630	59,298	45,828	1,916	72,434	18,023	6,524	105,351	143,405	67,789
Depreciation and amortization	21,053	17,097	15,787	17	26,304	3,981	3,942	35,827	60,101	26,869

Provisions	1,623	5,174	4,242			1,393		4,911	1,080	2,853
Operating Margin	50,954	37,027	25,799	1,899	46,130	12,649	2,582	64,613	82,224	38,066
Financial income / (expense)	(22,770)	19,746	(10,930)	(272)	(34,517)	38,659	(1,387)	32,793	(34,397)	(23,399)
(Amortization of goodwill and concession rights)		(1)							(27,990)	(14,342)
Current results	28,184	56,772	14,869	1,627	11,614	51,308	1,195	97,406	19,837	325
Extraordinary gains / (losses)	1,359	18,774	(5,919)	136	(6,489)	(2,573)	(14,626)	(10,769)	663	(5,194)
Profit before taxes	29,543	75,546	8,950	1,763	5,125	48,735	(13,431)	86,637	20,500	(4,870)
Income taxes	1,021	30,018	5,568	250	(5,290)	(24,482)		19,242	2,896	(1,771)
Minority interests	998	20,597	1,177	53	(162)	33,137	(8,637)		5,215	(391)
Net attributable profit	27,524	24,931	2,205	1,460	10,576	40,080	(4,794)	67,395	12,389	(2,708)
Other information :										
Tangible fixed assets	248,828	224,633	191,589	131	307,581	195,301	171,074		1,088,364	983,644
Intangible fixed assets	14,921	8,700	5,745	37	4,163	8,240			354,274	358,441
Current assets	300,381	325,005	145,383	10,449	333,317	335,755	143,202		148,284	183,798
Shareholders equity	197,033	105,668	120,535	5,496	170,073	59,055	115,153		676,210	664,356
Current liabilities	317,934	183,305	110,919	6,828	167,226	93,979	33,780		165,987	330,582
Investment in fixed assets	37,580	17,596	15,279		25,413				70,528	102,354

(a) Profit and loss account of Hidrocantábrico Group included in EDP Group s accounts by the proportional method with a 40% interest shareholding

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37. Commitments

As at December 31, 2003, the breakdown of financial commitments not shown in the balance sheet in respect of guarantees provided (no mortgages have been provided) is as follows:

Commitments	Group Euro 000
Guarantees of a financial nature	
Guarantees provided by Group entities - Portugal	
to domestic banks	80,672
to foreign banks	154,521
to other domestic entities	68,231
to other foreign entities	7,942
Guarantees provided by Group entities - Spain	
to foreign banks	38,363
to other foreign entities	9,198
Guarantees provided by Group entities - Brazil	
to foreign banks	52,211
	411,138
Guarantees of an operational nature	
Guarantees provided by group entities - Portugal	
to other domestic entities	59,246
to foreign banks	16,976
to other foreign entities	32,434
Guarantees provided by group entities - Spain	
to foreign banks	63,925
to other foreign entities	577
	173,158
	584,296

Bank guarantees provided for operational activities are as follows:

	Group Euro 000
Domestic banks	16,356
Foreign banks	87,757
	104,113

The breakdown of financial commitments in respect of swap contracts outstanding on the balance sheet date is as follows:

	Group			
	2003		2002	
	Assets Euro 000	Liabilities Euro 000	Assets Euro 000	Liabilities Euro 000
Interest rate swaps :				
EUR	3,057,371	3,450,753	3,152,203	3,545,585
GBP	200,000		200,000	
JPY	8,000,000		8,000,000	

On the date of the first application of IAS 32 and IAS 39, EDP did not have all the documents required to be able to comply with the requirements for hedge accounting. Therefore, all changes in the fair value of derivatives have been recorded in accordance with amounts reflected for U.S. GAAP standard FAS 133 in EDP s 2002 Form 20-F as filed with the U.S. Securities and Exchange Commission. Consequently, all variations to the fair value of these instruments have been recognised in the statement of income for the year as from the date of the adoption.

However, owing to the process of transition to the IFRS, in which the EDP Group has been involved for some time, the preparation of the documentation required for these financial derivatives to be considered as hedging instruments has already been started, and hedge accounting will commence during 2004.

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Taking into account the fact that financial instrument assets are recorded under accruals and deferrals assets and that financial instrument liabilities are recorded under accruals and deferrals liabilities, the relevant information is as follows:

	Group 2003			
			Market Value	
	Nominal Value Euro 000	Total Euro 000	Assets Euro 000	Liabilities Euro 000
Interest-rate contracts:				
Interest-rate swaps	3,057,371	224,362	264,175	(39,813)
Options bought and sold	3,735,697	(8,520)		(8,520)
		215,843	**264,175**	**(48,332)**
Interest-rate and exchange-rate contracts:				
CIRS (currency and interest rate swaps)	393,382	**(49,127)**		**(49,127)**
		166,716	**264,175**	**(97,459)**

The maturity of these derivatives instruments is as follows:

	Group 2003				
	Up to 3 months Euro 000	3 months to 1 year Euro 000	1 year to 5 years Euro 000	More than 5 years Euro 000	Total Euro 000
Interest-rate contracts:					
Interest-rate swaps		2,940	216	221,205	224,362
Options bought and sold		(2,612)	(3,229)	(2,679)	(8,520)
		328	**(3,013)**	**218,526**	**215,842**
Interest-rate and exchange-rate contracts:					
CIRS (currency and interest rate swaps)		**(8,707)**	**(5,819)**	**(34,601)**	**(49,127)**

	(8,379)	**(8,832)**	**183,925**	**166,715**

The possible real interest rates on the various financial derivatives instruments are as follows:

	Group 2003				
	Currency	**EDP Pays**		**EDP Receives**	
Interest-rate contracts:					
Interest-rate swaps	Euro	4.50%	2.17%	6.40%	2.35%
Interest-rate and exchange-rate contracts:					
CIRS (currency and interest rate swaps)	EUR / JPY	2.5810%	2.5260%	0.7000%	0.2550%
CIRS (currency and interest rate swaps)	EUR / GBP	3.5410%		6.6250%	

	Value Euro 000	**Group 2003**	
Interest-rate contracts:			
Options bought on interest rates (CAP purchases)	3 735 697	4.82%	2.51%
Options sold on interest rates (CAP sale)	1 000 000	5.30%	4.10%
Options sold on interest rates (CAP sale)	3 735 697	3.50%	2.27%

38. Employee Stock Option Plans

The EDP Group began a stock option programme under the terms approved by the General Meeting, applicable to senior management and directors, with a view to stimulating the creation of value, in keeping with the practice employed by similar companies.

The aim of the plan, approved in 1999, is to grant over a period of five years purchase options on shares representing the EDP share capital. The number of options to be awarded cannot exceed 16,250,000 (following the stock split in which each share was replaced by 5 shares of a par value equal to 1/5 of the value before the stock split), each option giving entitlement to the acquisition of one share. In the event of alteration of the EDP share capital, this limit and the number of options already granted may be adjusted so that the size of the plan and/or the position of the beneficiaries of the option remain substantially the same as the size and/or position existing prior to the fact in question. This provision may be applicable in other cases that, in the opinion of the board of directors of EDP, warrant identical treatment.

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The consideration payable for the acquisition of shares granted under the stock options (exercise price) is the weighted average of the closing prices of EDP shares during the period prior to the date defined as the option-granting date fixed by the EDP board of directors. The exercise price may be corrected in the event of: a) alteration to the share capital; b) distribution of dividends and other reserves to shareholders having a significant effect on the price of the EDP shares; and c) the occurrence of other facts of a similar nature that, in the judgement of the EDP board of directors, warrant such corrections.

The liabilities assumed within the scope of the EDP incentives plans in respect of directors and certain senior staff in the service of the Group companies are recognised as a cost in each period, taking into account the time to maturity of the option exercise right or of the attribution of the shares. The respective provision is set aside/increased taking into account the staggering of the rights granted and of the inherent costs, over the life of the plan. These costs correspond to the difference between the estimated cost of acquisition of the shares by the Company and their selling price to the employees. The corresponding costs are recorded under Staff costs , and costs inherent in the respective hedging operations are recorded under Financial costs and losses .

39. Reconciliation to accounting principles generally accepted in the United States of America

The consolidated financial statements of EDP Group have been prepared in accordance with Portuguese GAAP which varies in certain significant aspects from U.S. GAAP. Differences that have a significant effect on the Group consolidated results of operations and shareholders equity are as follows:

a) Revaluation of fixed assets

The Group s fixed assets that were acquired prior to 1993 are stated at revalued amounts as permitted under Portuguese GAAP. The revalued fixed assets are being depreciated over their estimated useful lives on their revalued basis. Under U.S. GAAP, fixed assets may not be stated at more than their historical acquisition cost. Accordingly, in the accompanying reconciliation, the increases in shareholders equity and the related increase in depreciation expense occurring as a result of such revaluations have been reversed for all periods presented. Depreciation for corporate income tax purposes is based on the original acquisition cost and 60% of the additional revaluation increment. Therefore, the adjustments also reflect the remaining deferred tax benefit arising from the revaluation increments. The effect of the revaluation on the gains and losses on disposals is not significant.

b) Capitalized overhead

The EDP Group capitalizes a portion of its general and administrative overhead to the cost of its assets under construction. Under U.S. GAAP, such costs are expensed in the period incurred.

c) Foreign exchange differences

As permitted under Portuguese GAAP, prior to 1995, the EDP Group capitalized net foreign exchange differences (both gains and losses) that resulted from loans contracted to fund capital expenditures denominated in non-escudo currencies. Under U.S. GAAP, foreign exchange gains and losses may not be capitalized.

d) Deferred costs

The EDP Group capitalizes and amortizes research and development expenses, advertising costs, major repairs and maintenance costs, and reorganization costs. Under U.S. GAAP, such amounts are expensed in the period incurred. The Group also defers and amortizes subsidies received with respect to research and development costs (included in deferred revenue in the consolidated balance sheets). Under U.S. GAAP, the benefit of the subsidies would be included in income as the related research and development costs are incurred.

e) Hydrological correction account

As required by Government regulation, the Group records a liability amount to smooth the effect on its earnings that result from changes in hydrological conditions. Under U.S. GAAP, the effect of future changes in hydrological conditions would be viewed as a general business risk and such a recording would not be permitted. Since July 2000, the movement of gain/losses for hydro conditions are charged to REN and not to the income statements.

The hydrological correction adjustments presented below in the U.S. GAAP net income reconciliation reflect the net change for the year in the Hydrological correction account which consists of the amounts disclosed in Note 21.

f) Distribution to management and employees

The EDP Group customarily distributes a portion of its net income to management and employees. The amount of the distribution generally amounts to one month s salary. Under Portuguese GAAP, this distribution is reflected in the period in which formal shareholder approval is obtained and is recorded as a reduction of retained earnings or other reserves. U.S. GAAP requires that such distributions be recorded as compensation expense in the period to which they relate.

g) Employee retirement benefits

The Company and some of its subsidiaries have pension obligations, both defined benefit and contribution and also medical benefits for retired employees. Costs for defined contribution are expensed when incurred. Accumulated obligations and annual expenses for medical and defined benefit pension plans are determined on actuarial basis. The company adopted this policy in Portuguese GAAP by implementing IAS 19 in 1999. For U.S. GAAP the company is using SFAS 87 and SFAS 106 as from 1995.

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Thus, differences in accounting for these obligations are basically originated from the date of determination of transition obligation (1989 for U.S. GAAP purposes and 1996 for Portuguese GAAP) and the assumptions relating the adherence rate to the early retirement plan for the period 1999-2002, as well as for recognition the additional pension minimum liability.

h) Accounts receivable

Under Portuguese GAAP a provision for doubtful accounts is established based on historical collection experience and evaluation of the current status of existing receivable balances. However, accounts receivables are only written-off when a customer is declared bankrupt by a court of law. Under U.S. GAAP, the write-off of a receivable would occur when collection is not probable.

In 1998, 1999 and 2000 the Company reached agreements with various municipalities on the terms of the future settlement of various old accounts receivable that under Portuguese GAAP had been fully provided in the past. During 2001, 2002 and 2003 the Group collected Eur 1,156,628 and Eur 3,081,748 and Eur 3,654,098 related to those agreements. Under U.S. GAAP, the collection of the receivables in question had previously been considered not probable and consequently had been written off. Therefore, under U.S. GAAP the benefit from the recovery of these accounts receivable may only be recorded when the amounts are actually received.

i) Power purchase agreements

As permitted under Portuguese GAAP, REN has recorded the minimum contracted payments made to producers of the Binding sector in connection with PPAs as an expense of the respective periods. U.S. GAAP would require these agreements to be treated as acquisitions of assets and the assumption of capital lease obligations because the power plants production is fully dedicated and at the direction of REN and the agreements are for the duration of the estimated useful lives of the power plants.

Prior to July 1, 2000, PPAs held by REN were reflected in the balance sheet amounts on the U.S. GAAP basis presented below by recognition of a fixed asset and a capital lease obligation recorded at the inception of the term of the agreements equal to the present values of the minimum payments required under the agreements, less estimated executory costs. The reconciliation presented below also reflects the allocation of the minimum payments, less the estimated executory costs, between a reduction in the liability and interest expense. In addition, an adjustment has been made for the depreciation expense of the fixed asset.

At the time of the disposal of the Central do Pego to Tejo Energia in 1993, the estimated construction cost of the plant under Portuguese GAAP was equal to the proceeds of disposal. However, the construction costs included capitalized foreign exchange differences and general and administrative costs which under U.S. GAAP would have been expensed as periodic costs prior to the disposal. These capitalized costs would have resulted in a gain on disposal of approximately Eur 48,592,891 which, because of the PPAs, would not have been recognized in 1993. The U.S. GAAP adjustments presented below reflect the reversal of the capitalization of the foreign exchange differences and general and administrative overheads as if they had been expensed prior to 1995.

In accordance with U.S. GAAP PPAs between REN and CPPE were accounted for as capital lease receivables for CPPE and a capital lease obligations for REN. The generation assets related to the PPAs were recorded in REN s accounts. Prior to July 1, 2000, the effects of the PPAs between the two related companies were eliminated as a result of consolidation.

j) Investments

Under Portuguese GAAP, investments in publicly traded equity securities, other than those of subsidiaries and those that are accounted for under the equity method, were carried at historical cost until 2001. From January 1, 2002 under Portuguese GAAP these investments are stated at fair value and the changes therein, net of income taxes, are recorded in shareholders equity, however any permanent loss in the carrying value is recognized in the income statement.

Under U.S. GAAP for all years presented, these available for sale securities would be stated at fair value and the changes therein, net of income taxes, would be recorded in a separate component of shareholders equity and included in the determination of comprehensive income. Any other than temporary impairment would be recognized in the income statement, therefore in 2002 an amount of Eur 247,751 thousand before tax benefit and 165,933 thousand net of tax has been reflected in the determination of U.S. GAAP net income.

k) Equity accounting on investments

The Group s equity investments and equity in earnings (primarily of REN and Hidrocantábrico) are affected by certain accounting differences between U.S. GAAP and Portuguese GAAP. The differences affecting the Group s investments and equity in earnings include: revaluation of fixed assets, overheads capitalized, deferred costs, employee termination benefits, distribution to management and employees, PPAs and deferred income taxes. These differences are as described in the respective narratives.

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l) Disposal of REN

Under Portuguese GAAP, sale proceeds from the disposal of the EDP 70% interest in REN were equal to the net book value of the interest sold, resulting in no gain or loss recorded on the transaction. Under U.S. GAAP, the net book value of the interest sold was reduced as a result of the accounting differences between Portuguese GAAP and U.S. GAAP; therefore, the proceeds received from the disposal of REN exceeded the net book value of the interest disposed, resulting in a gain on disposal and the remaining investment in REN must be reduced accordingly. The gain on the disposal, in the amount of Eur 342,046 thousand, and the related deferred tax in the amount of Eur 120,400 thousand, were charged directly to shareholders equity (with a net effect of Eur 221,646 thousand).

m) Derivative instruments

The EDP Group uses derivative instruments in the normal course of business, to offset fluctuations in earnings and cash flows associated with movements in exchange rates, interest rates and commodity prices. Derivative instruments are not generally held by the company for speculative trading purposes. FAS 133, Accounting for Derivative Instruments and Hedging Activities , as amended by FAS 137 and FAS 138, was adopted by the Company with effect from January 1, 2001 under U.S. GAAP. FAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. FAS 133 requires that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheet amd measure those instruments at fair value. FAS 133 prescribes requirements for designation and documentation of hedging relationships and ongoing assessments of efectiveness in orders to qualify for hedge accounting. From January 1, 2003 (as discussed at note 2 d) IAS 39 was adopted on Portuguese GAAP.

Therefore no difference arrise in the current year as all derivatives are marked to market both U.S. GAAP and IAS 39.

The EDP Group has chosen not to apply the hedge accounting provision of FAS 133, and accordingly all changes in the fair value of derivative instruments are recorded in the income statement.

n) Depreciation of goodwill

As of January 1, 2002 U.S. GAAP requires that goodwill, including previously existing goodwill, and intangible assets with indefinite useful lives are not amortized but are tested for impairment annually. Concession rights continue to be amortized, as this is a finitive lived intangible asset. In 2002 and 2003 the goodwill amortization charged to the profit and loss account was adjusted under U.S. GAAP in the amount of Eur 11,896 thousand and Eur 20,653 thousand.

o) Equity Method vs Proportional consolidation

The investment in Hidrocantábrico where EDP owns 40% of its share capital is jointly controlled with two other main shareholders with a residual amount of 1.2% of share capital owned by other shareholders. Under Portuguese GAAP, associated companies where the parent company exercises significant influence together with other shareholders, even if the parent company s participation is fewer than 50%, are proportionately consolidated. Under U.S. GAAP these investments are accounted for by the equity method as presented in adjustment k).

p) Tariff adjustments and accounting for rate regulated entities

Prior to 1999, the selling price of electricity in Portugal was based upon a negotiated price between the EDP and the Government. Tariffs were generally based on operating costs incurred during a year associated with average hydrological conditions. However, there were no specific guidelines in place that ensure that the Group would recover actual cost incurred during this time.

On January 1, 1999, and again on January 1, 2002, a new tariff regime was introduced that established formulae for the calculation of the selling price of electricity in Portugal. These tariffs at current market conditions allow for the EDP to recover actual costs incurred; however, not all of the criteria necessary to adopt the U.S. GAAP accounting for regulated industries exist. Therefore, U.S. GAAP requirements applicable to regulated industries have not been applied.

On January 1, 2002, the regulator implemented alternative revenue programs which allow EDP to increase tariffs in future periods to recover allowable revenues. Future tariff increases have been recorded in the current year for Portuguese GAAP and are reversed under U.S. GAAP.

q) Guarantees

Under U.S. GAAP, the guarantees related to the Group s operations with bank loans and other operational activities must be adjusted and presented as a liability. These adjusted amounts are related to the purchase of electricity and the receivable of some subsidies from the government.

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r) Regulatory assets

During the current year the Company set up a restructuring plan, which is intended to be completed by 2006. The plan consists of a reduction of approximately 500 employees, in EDP Distribuição, most of them through a pre-retirement scheme. The costs that will be expensed in those 4 years, were accepted by the Portuguese regulator, to be recovered through the tariffs, in the next 20 years. As such, in 2003 the Company recorded a regulated asset against a provision for restructuring (no effect on equity) in the amount of Eur 148,4 million. During the current year EDP recorded restructuring costs of Eur 14,9 million and recorded regulatory income of the same amount, associated with the tariff adjustment accepted by the regulator. For U.S. GAAP purposes the regulatory asset and regulatory liability and the related regulatory income were reversed as such amounts are nor recorded under U.S.GAAP. Expense of Eur 14,9 million was recorded for both Portuguese GAAP and U.S.GAAP.

s) Income taxes

Until December 31, 1998, as permitted under Portuguese GAAP, income taxes were accounted for in accordance with the taxes payable method based on estimated income taxes currently payable as determined by Government regulations. Under U.S. GAAP and, subsequent to January 1, 1999, under Portuguese GAAP, income taxes are provided using the liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences attributable to differences between the financial statement carrying amount of assets and liabilities and their tax bases. A valuation allowance is provided based on the expected realization of the deferred tax assets. Additionally, any deferred tax effect of other U.S. GAAP adjustment is reflected.

t) Operating income

Under U.S. GAAP, except for losses resulting from discontinued operations which would be presented separately, substantially all the amounts in Note 34 would be included in the determination of operating income.

u) Impact of Recently Issued Accounting Standards

FASB Interpretation Number (FIN) 46 (revised December 2003) Consolidation of Variable Interest Entities

FIN 46 was issued in January 2003, was revised in December 2003 and has been interpreted in various FASB staff positions. It is effective immediately for all variable interests in variable interest entities (VIE) created after January 1, 2003. For VIEs created before that date, the requirements are effective for EDP Group from January 1, 2004. FIN 46 requires certain transitional disclosures to be made immediately if it is reasonably possible that an entity will consolidate or disclose information about VIEs when FIN 46 becomes effective. FIN 46 defines a VIE as an entity where either the total equity investment at risk is not sufficient to permit the entity to finance its activities, without additional subordinated financial support; or the equity investors lack any one of the following: (1) the ability to make decisions about an entity s activities; (2) the obligation to absorb losses of the entity; or (3) the right to receive residual returns of the entity. VIEs are required to be consolidated by the primary beneficiary, which is the party that absorbs the majority of the entity s expected losses, expected gains, or both. It is not expected that this standard will have a material impact on the EDP Group s U.S. GAAP finantial statements.

SFAS 149 Amendment of Statement 133 on Derivative Instruments and Hedging Activities

SFAS 149 was issued in April 2003. This statement amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under FASB Statement 133, Accounting for Derivative Instruments and Hedging Activities. This statement is effective prospectively for contracts entered into or modified after June 30, 2003 and prospectively for hedging relationships designated after June 30, 2003. Adoption of this statement has not had a material impact on EDP Group s U.S. GAAP financial statements.

SFAS 150 Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity

SFAS 150 was issued in May 2003. The statement amends the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity and requires that these instruments be classified as liabilities in statements of financial position. This statement is effective prospectively for financial instruments entered into or modified after May 31, 2003 and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. This statement shall be implemented by reporting the cumulative effect of a change in an accounting principle for financial instruments created before the issuance date of the statement and still existing at the beginning of the interim period of adoption and not expected to have a material impact on EDP Group finantial statements.

SFAS 132 Employers Disclosures about Pensions and Other Retirement Benefits (revised 2003)

In December 2003 the FASB issued a revision to SFAS 132 which requires enhanced disclosures about the EDP Group s defined benefit pension plans. Adoption of this statement has not had, and is not expected to have a material impact on EDP Group s U.S. GAAP financial statements although additional disclosure have been added.

EITF 03-1 The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments

In November 2003 the EITF reached a consensus on certain additional disclosure requirements in connection with holding losses on investment securities. This standard is not expected to have a material impact on EDP Group s U.S. GAAP financial statements.

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The effect on net income and shareholders equity is as follows:

Net income

	2003 US$	2003 Euro 000	2002 Euro 000	2001 Euro 000
Net income as reported under Portuguese GAAP	463,810	381,109	335,216	450,795
U.S. GAAP adjustments increase (decrease) due to:				
a. Depreciation of revaluation of fixed assets	232,760	191,257	200,973	204,504
b. Capitalized overheads	(17,614)	(14,473)	(35,650)	(2,283)
c. Depreciation of exchange differences	21,549	17,707	19,297	23,408
d. Deferred costs	95,639	78,586	20,870	(89,989)
e. Hydrological correction adjustments	13,256	10,892	12,685	(26,906)
f. Distribution to management and employees	(29,928)	(24,592)	(22,989)	(22,634)
g. Pension and other post-retirement benefits	(50,795)	(41,738)	(61,876)	(61,876)
h. Accounts receivable municipalities	4,447	3,654	3,082	1,157
i. Power purchase agreements after REN disposal	(14,845)	(12,198)	(15,507)	(20,124)
j. Investments			(247,751)	
k. Equity accounting on investments - REN	28,127	23,112	(26,283)	43,256
k. Equity accounting on investments - Hidrocantábrico	4,548	3,737	(6,734)	
m. Derivative instruments			99,890	42,285
n. Depreciation of goodwill	66,252	54,439	11,896	
p. Tariff adjustments	(94,827)	(77,919)	(49,996)	
r. Regulatory assets	(48,012)	(39,451)		
Other	(1,003)	(824)	(531)	
u. Income taxes	(67,289)	(55,291)	63,396	(22,385)
Net adjustments	142,265	116,898	(35,228)	68,413
Net income in accordance with U.S. GAAP	606,075	498,007	299,988	519,208
Basic and diluted net income per share	0.20	0.17	0.10	0.17

Shareholders equity

	2003	2003	2002
	US$	Euro 000	Euro 000
Shareholders equity as reported under Portuguese GAAP	6,447,675	5,298,007	5,494,182
U.S. GAAP adjustments increase (decrease) due to:			
a. Revaluation of fixed assets	(1,144,057)	(940,063)	(1,131,320)
b. Capitalized overheads	(854,374)	(702,033)	(687,560)
c. Exchange differences capitalized	(331,376)	(272,289)	(289,996)
d. Deferred costs	(59,690)	(49,047)	(127,633)
e. Hydrological correction adjustments	384,073	315,590	304,697
f. Distribution to management and employees	(27,406)	(22,519)	(22,989)
g. Pension and other post-retirement benefits	25,545	20,990	62,728
g. Additional minimum pension liability	(357,572)	(293,814)	(216,418)
h. Accounts receivable municipalities	(83,809)	(68,865)	(72,519)
i. Power purchase agreements after REN disposal	(270,991)	(222,671)	(210,473)
k. Equity accounting on investments - REN	38,104	31,310	8,198
k. Equity accounting on investments - Hidrocantábrico	(3,647)	(2,997)	(6,734)
l. Gain on disposal of REN	(178,401)	(146,591)	(146,591)
m. Derivative instruments			131,181
n. Depreciation of goodwill	80,730	66,335	11,896
p. Tariff adjustments	(155,673)	(127,915)	(49,996)
q. Guarantees	(12,309)	(10,114)	
r. Regulatory assets	(48,012)	(39,451)	
Other	(1,682)	(1,382)	(531)
s. Deferred income taxes on Portuguese books	113,323	93,117	571
t. Income taxes	695,807	571,739	835,571
Net adjustments	(2,191,417)	(1,800,670)	(1,607,918)
Shareholders equity in accordance with U.S. GAAP	4,256,258	3,497,337	3,886,264

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Certain significant line items of the balance sheets as presented on a Portuguese GAAP basis would be as follows after application of U.S. GAAP differences:

	Group	
	2003	2002
	Euro 000	Euro 000
Fixed assets	7,172,209	6,601,644
Total assets	17,730,012	16,922,182
Total current liabilities	3,279,785	2,550,817
Total long-term liabilities	10,891,738	10,419,900
Total liabilities	14,171,523	12,970,717
Shareholders equity:		
Share capital	2,950,980	2,956,507
Other comprehensive income	(773,711)	(559,329)
Reserves and retained earnings	1,320,068	1,489,088
	3,497,337	3,886,266
Total liabilities and shareholders equity	17,730,012	16,922,182

Accounts receivable

The amount of accounts receivable, trade and long-term receivables in accordance with U.S. GAAP are as follows:

	Group	
	2003	2002
	Euro 000	Euro 000
Accounts receivable, trade (Note 6)		
Accounts receivables	765,936	703,300
PPA receivables, short-term (less than 1 year)	121,527	110,072

	887,463	813,372
Long-term receivables (Note 8)		
Long-term receivables	435,842	370,656
PPA receivables, long-term (over 1 year)	3,190,154	3,312,681
	3,625,996	3,683,337

Income taxes

The components of the income tax provision and deferred income tax assets and liabilities in accordance with U.S. GAAP is as follows:

	Group		
	2003	**2002**	**2001**
	Euro 000	**Euro 000**	**Euro 000**
Current	239,255	171,168	244,012
Deferred	55,291	(63,396)	22,385
	294,546	107,772	266,397

The reconciliation of the expected income tax provision computed using the Company s Portuguese statutory income tax rate of 32% in 2001, 30% in 2002 and 2003 to the actual income tax provision is as follows:

	Group		
	2003	**2002**	**2001**
	Euro 000	**Euro 000**	**Euro 000**
Net income before income taxes under U.S. GAAP	696,356	190,460	684,987
Expected income tax expense at the statutory rate	208,907	57,138	219,196
Municipal income taxes	20,891	5,714	21,920
Change in tax rate and in estimates	(13,069)	(22,863)	
Equity method investments	(10,419)	(25,985)	(4,090)
Goodwill amortization	115,113	71,945	30,947
Other	(26,877)	21,823	(1,576)
	294,546	107,772	266,397

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Components of deferred income tax assets and liabilities:

	Group	
	2003 Euro 000	2002 Euro 000
Deferred tax assets:		
Fixed assets:		
Revaluation	155,110	224,001
Overheads capitalized	193,059	226,895
Exchange differences capitalized	74,879	95,699
Deferred costs capitalized	13,488	42,119
Pension and other post-retirement benefits	159,685	221,425
Power purchase agreements	61,235	69,456
Investments		81,758
Provision for various contingencies	40,207	65,349
Provision for doubtful accounts	4,716	2,325
Tariff adjustments	35,177	
Regulatory assets	10,849	
Total deferred tax assets	748,405	1,029,027
Deferred tax liabilities:		
Hydrological correction account investments	86,787	100,550
Deferred in associates		7,300
Shareholder s equity reserve	9,079	11,974
Pension minimum liability	80,800	71,418
Tariff adjustments		2,214
Total deferred tax liabilities	176,666	193,456
Total net deferred tax assets	571,739	835,571

Pensions

EDP uses a December 31, 2003 measurement date for all of its plans. The components of the net periodic pension cost under U.S. GAAP include the following:

	Group		
	2003	2002	2001
	Euro 000	Euro 000	Euro 000
Service cost	12,240	13,222	14,525
Interest cost	84,849	88,824	74,710
Expected return on plan assets	(50,086)	(56,031)	(57,531)
Worker s contributions	(552)		
Amortization of net actuarial losses	19,892	72,431	61,212
Amortization of transition obligation	5,826	6,130	6,130
Net periodic pension cost	72,169	124,576	99,047

The following table sets forth the changes and the funded status of the pension plan under U.S. GAAP:

	Group	
	2003	2002
	Euro 000	Euro 000
Change in benefit obligation		
Benefit obligation at beginning of year	1,448,733	1,433,183
Service cost	12,240	13,222
Interest cost	84,849	88,824
Actuarial losses/(gains)	72,036	96,242
Estimated benefits paid	(140,975)	(144,277)
Exchange losses/(gains)	407	(38,461)
Benefit obligation at end of year	1,477,290	1,448,733

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	Group	
	2003	2002
	Euro 000	Euro 000
Change in plan assets		
Fair value of plan assets at beginning of year	749,945	781,286
Actual return of plan assets	59,690	60,877
Worker s contributions	552	
Actual company contributions	58,287	52,669
Benefits paid	(51,856)	(53,597)
Actuarial (losses)/gains	(413)	(77,613)
Exchange losses/(gains)	297	(13,677)
Fair value of plan assets at end of year	816,502	749,945
Funded status of plan (underfunded)	(660,789)	(698,788)
Unrecognized net actuarial losses/(gains)	532,458	560,246
Unrecognized transition obligation	50,678	23,319
Prepaid (accrued) benefit cost	(77,653)	(115,223)
Additional minimum pension liability	(344,492)	(272,922)
Prepaid (accrued) benefit cost / pension liability	(422,145)	(388,145)

The accumulated benefit obligation in excess of plan assets, is as follows:

	Group	
	2003	2002
	Euro 000	Euro 000
Projected benefit obligation	1,477,290	1,448,733
Accumulated benefit obligation	1,207,234	1,405,025
Fair value of plan assets	749,945	781,286

As of December 31, 2002 and December 31, 2003 plan assets consisted of:

	Group	
	2003 Euro 000	2002 Euro 000
Portuguese State bonds	51,248	51,970
Foreign public bonds	133,380	89,097
Bonds	201,452	274,606
Investment fund units	138,139	128,891
Shares	91,149	24,291
Buildings	185,894	179,517
Cash and equivalents	45,693	19,403
Commercial paper	3,994	2,984
Other	(3,772)	7,599
	847,177	778,358
Plan assets relating to others (REN)	(30,675)	(28,413)
	816,502	749,945

Following an asset - liability modelling study concluded in 2003, the EDP Group and the Consultants and the Asset Managers considered the target asset allocation mentioned below to be the appropriate for the stability and security of Pension Fund assets, level of periodic contributions and of the financing of the projected liabilities, taking into account investments restrictions, a risk profile and a level of returns:

a) Investment strategy for three years, except actual property in the amount of 180 million Euros, currently rented to the Associates that should be reduced :

Bonds : 70% (min. 50%, max. 85%)

Equities: 30% (min. 15%, max.40%)

Property: max. 5% .

b) Asset returns measures against strategic benchmark.

c) Risk diversification policies.

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A summary of the assets of the plan, classified into its major assets classes, is shown below as at December 31, 2003:

	Rates
Total Bonds	45.60%
Total Cash	5.60%
Total Equities	23.70%
Property	25.10%
	100.00%

In calculating the liabilities inherent in pension and other benefits within the EDP Group the following financial and actuarial assumptions were used:

	2003		
	Pension Benefits		Other benefits
	Portugal Euro 000	Brazil Euro 000	Portugal Euro 000
Assumptions			
Discount rate	5.20%	10.24%	5.20%
Long term rate of return on assets	5.70%	10.24%	n.a.
Wage growth rate	3.30%	7.12%	n.a.
Pension growth rate	2.25%	7.12%	n.a.
Inflation rate	2.00%	4.00%	n.a.
Medical trend rate	n.a.	n.a.	4.50%

	2002		
	Pension Benefits		Other benefits
	Portugal Euro 000	Brazil Euro 000	Portugal Euro 000
Assumptions			
Discount rate	6.00%	10.24%	6.00%
Long term rate of return on assets	6.50%	10.24%	n.a.
Wage growth rate	3.30%	7.12%	n.a.
Pension growth rate	2.25%	7.12%	n.a.
Inflation rate	2.00%	5.00%	n.a.
Medical trend rate	n.a.	n.a.	4.50%

The assumptions to determine the overhall expected, Rate of return on assets , was determined with reference to EDP s target allocation and the best expectations for the long term returns on each of the following assets classes:

	Weitght	Real return	Weitght return
European Equities	16.00%	7.40%	1.20%
Global ex.European Equities (unhedged)	6.00%	7.80%	0.50%
Euro Gov.Bonds-Fixed Rate	31.00%	2.30%	0.70%
Euro Corp.Bonds-Fixed Rate	6.00%	2.90%	0.20%
Euro Variable Rate	15.00%	0.50%	0.10%
Property	26.00%	5.00%	1.20%
Euro inflation	n.a.	1.80%	1.80%
Total	100.00%		5.70%

The following is a summary of the significant assumptions used in the determination of the pension obligation:

	2003 Rates	2002 Rates	2001 Rates
Weighted average discount rate	5.2%	6.0%	6.5%
Rate of increase in compensation	3.3%	3.3%	3.5%
Expected rate of return on plan assets	5.7%	6.5%	7.5%
Expected percentage of eligible staff electing early retirement	*	*	*

* During 2002 it was estimated that employees applying for early retirement would be 70% of the eligible employees. From 2003 and on, it was estimated that only 40% of eligible employees will apply for early retirement.

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Other post-retirement benefits

EDP provides comprehensive medical coverage, in addition to that provided by the Portuguese national health system, for retired employees (including those who have taken early retirement) and their dependents. Additionally, the Company provides a death benefit to its retirees survivors. The Company administers the program internally and assumes the full cost of funding the program net of employee contributions amounting to approximately 10% of the total medical expenses covered.

A summary, of the components of the net periodic post-retirement benefit cost under U.S. GAAP, is presented in the following table:

	Group		
	2003	**2002**	**2001**
	Euro 000	**Euro 000**	**Euro 000**
Service cost	5,942	6,540	6,714
Interest cost	29,049	30,095	28,781
Amortization of transition obligation	5,022	4,873	4,873
Net periodic post-retirement benefit cost	40,013	41,508	40,368

The following table sets forth the changes and the funded status of the plan under U.S. GAAP as of December 31, 2002 and December 31, 2003:

	Group	
	2003	**2002**
	Euro 000	**Euro 000**
Change in benefit obligation		
Benefit obligation at beginning of year	496,201	474,371
Service cost	5,942	6,540
Interest cost	29,049	30,095
Actuarial losses	153,162	7,929
Benefits paid	(24,099)	(22,735)

Benefit obligation at end of year	660,255	496,200
Unfunded status of plan	(660,255)	(496,200)
Unrecognized (gains)/losses	205,251	52,237
Unrecognized transition obligation	42,377	47,251
Accrued benefit cost	(412,627)	(396,712)

The assumed medical cost trend rate used in measuring the accumulated post-retirement benefit obligation as of December 31, 2003 was 4.5% for the next nine years and 4% after. The health cost trend rate assumption has a significant effect on the amounts reported.

The assumed discount rate and salary growth rate used in determining the accumulated post-retirement benefit obligation was 5.2% and 3.3%, respectively, as of December 31, 2003 and 6% and 3.3%, respectively as of December 31, 2002.

FAS 106 allows recognition of the cumulative effect of the liability in the year of adoption or the amortization of the obligation over a period of up to 20 years. The Company has elected to recognize the initial post-retirement benefit obligation of Eur 101,455 thousand as of January 1, 1995, over a period of 17.7 years, the average remaining service period of the employee group.

The table below shows the expected benefit payments projections for the next ten years, based on the same assumptions used in the current year and in accordance with FAS 132:

	Expected benefit payments	
	Pension	**Other**
2004	149,982	26,414
2005	141,491	27,390
2006	133,195	28,375
2007	124,254	29,391
2008	114,853	30,420
2009	105,496	31,430
2010	97,308	32,464
2011	88,925	33,564
2012	81,720	34,708
2013	76,252	36,094
2014	73,505	37,507

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Defined Contribution Plans

Hidrocantábrico has social benefits Defined contribution plans that complement those benefits granted by the Social Welfare Systems to the companies employees, under which they pay a contribution to these plans each year, calculated in accordance with the rules established in each case.The payments were Eur 20,568 thousand and Eur 17,912 thousand in 2003 and 2002 respectively

Research and development expenses

Research and development expenses under U.S. GAAP amounted to Eur 76,021 thousand in 2001, Eur 44,180 thousand in 2002 and Eur 15,523 thousand in 2003.

Comprehensive income

For purposes of presenting its reconciliation of shareholders net equity and net income from Portuguese GAAP to U.S. GAAP, in 1998 the Company adopted FAS 130, Reporting Comprehensive Income . This standard requires reporting the components of comprehensive income, the change in equity (net assets) of a business enterprise during a period from transactions and other events and circumstances from non-owner sources, and the components thereof in an entity s financial statements. The non-owner changes in equity that have not been included in income include accounts such as foreign currency translation adjustments and unrealized gains and losses on available-for-sale securities. The adoption of FAS 130 resulted in revised and additional disclosures for U.S. GAAP reporting purposes, but had no effect on the financial position, results of operations, or liquidity of the Company.

The comprehensive income for each of the three years in the period ended December 31, 2001, 2002 and 2003 is as follows:

	Group		
	2003	**2002**	**2001**
	Euro 000	**Euro 000**	**Euro 000**
Net income in accordance with U.S. GAAP	498,007	299,988	519,208
Change in currency translation adjustment	(193,032)	(300,028)	(48,819)
Unrealized gains (losses) on investments	47,947	(21,223)	(19,436)

Tax effect of unrealized gains (losses) on investments	(13,185)	6,791	6,842
Additional minimum pension liability	(77,396)	(216,418)	
Tax effect on additional minimum liability	21,284	71,418	
Comprehensive income	283,625	(159,472)	457,795

Earnings per ordinary share

Basic earnings per share is based upon the weighted average number of Ordinary Shares outstanding during the year. Diluted earnings per share is computed on the basis of the weighted average number of Ordinary Shares outstanding during the year plus the effect of Ordinary Shares issuable upon the exercise of employee stock options using the treasury stock method. During 1999, the Company established two employee stock option plans. The shares issued under these plans had no material effect on the weighted average Ordinary Shares outstanding. Ten Ordinary Shares equal one American Depository Share (ADS).

	Group		
	2003	2002	2001
	Euro 000	Euro 000	Euro 000
Net income Portuguese GAAP	381,109	335,216	450,795
Net income - U.S. GAAP	498,007	299,988	519,208
net income from continuing operations:			
Net income Portuguese GAAP	381,109	779,216	450,745
Net income - U.S. GAAP	498,007	743,988	519,208
Weighted average Ordinary Shares outstanding	2,978,569,036	2,982,571,074	2,988,273,791
Weighted average ADS outstanding	297,856,904	298,257,107	298,827,379

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	Group		
	2003 Euro	2002 Euro	2001 Euro
Net income per Ordinary Share			
Basic and diluted Portuguese GAAP	0.13	0.11	0.15
Basic and diluted U.S. GAAP	0.17	0.10	0.17
-net income from continuing operations:			
Basic and diluted Portuguese GAAP	0.13	0.26	0.15
Basic and diluted U.S. GAAP	0.17	0.25	0.17
Net income per ADS:			
Basic and diluted Portuguese GAAP	1.28	1.12	1.51
Basic and diluted U.S. GAAP	1.67	1.01	1.74
-net income from continuing operations:			
Basic and diluted Portuguese GAAP	1.28	2.61	1.51
Basic and diluted U.S. GAAP	1.67	2.49	1.74

Goodwill

For U.S. GAAP purposes, the goodwill for each reportable segment is as such:

	Group					
	Electricity Spain	Brazil	Telecom	IT	Other business	TOTAL
December 31, 2001			287,480	67,560	1,488	356,528
Entries/(exits) of subsidiaries			0	0	14,598	14,598
Additions			2,742	455	228	3,425
Disposals			-5,533	0	0	-5,533
Impairment losses			-170,507	0	0	-170,507
December 31, 2002			**114,182**	**68,015**	**16,314**	**198,511**
Transfers from concession rights	706,226					706,226
Additions		3,806	1,064	241	34,717	39,828
Disposals			-7,433		-5,069	-12,502

December 31, 2003	706,226	3,806	107,813	68,256	45,962	932,063

The impairment loss in 2002 is due to the discontinuation of Oniway business, with a total loss of Eur 444 million, including the impairment of goodwill of Eur 170 million. The results of Oni way prior to discontinuation were not material. In 2001 the amortization expense of Goodwill was Eur 16,668 thousand. Since then, the goodwill amortization is adjusted and presented in the US reconciliation, due to the fact that U.S. GAAP requires that goodwill is not amortized but tested for impairment.

From January 1, 2002, goodwill is no longer amortized under U.S. GAAP but reviewed annually for impairment under FAS 142 Goodwill and Other Intangible Assets . Goodwill amortization of Eur 11,896 thousand in 2002 and Eur 54.439 thousand in 2003 are charged against Portuguese GAAP earnings and added back in the U.S. GAAP reconciliation.

	Group		
	2003	**2002**	**2001**
	Euro 000	**Euro 000**	**Euro 000**
Reported net income under U.S.GAAP	498,007	299,988	519,208
Goodwill amortization			16,668
Adjustment net income	498,007	299,988	535,876
Basic and diluted earnings per share:			
Reported net income	0.17	0.10	0.16
Goodwill amortization			0.01
Adjustment net income	0.17	0.10	0.17

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Intangible assets

For concession rights and other intangible assets, subject to amortization under U.S. GAAP, the agregate amortization expense for the current year and estimated aggregate amortization expense for each of the five succeeding fiscal years are:

Agreegate amortization expense	
2003	72,940
Estimated amortization expense	
2004	72,940
2005	62,952
2006	57,795
2007	47,315
2008	40,501

Unrealized losses in investments available for sale, classified as temporary losses.

	Acquisition Cost/Balance sheet value	Market value At December 31, 2003	Loss charged to equity in 2003
CERJ	97,767	88,717	(9,050)
BCP	305,038	277,149	(27,889)
Optep	315,000	314,749	(251)
	717,805	680,615	(37,190)

All investments are in common stock. These losses results from valuations reports performed by independent specialists (CERJ and Optep), and from a decrease in the publicly traded shares of BCP (listed company in the Lisbon stock exchange).

In the previous year the loss in BCP was charged to the income statement (Eur 247,751 thousand) because that loss was considered other than temporary. In the first months of 2004 BCP started to recover its value in the stock market, and as such the 2003 loss is considered temporary. By the end of May 2004, BCP has recovered a significant part of the 2003 loss. The BCP listed price at December 31, 2003 was Eur 1.77, and by the end of the first quarter was Eur 2.01.

Equity investments

EDP s investments in associates accounted for under the equity method are presented in note 9 of these consolidated financial statements. The summarized financial information of the most relevant are presented below:

	2003			2002		
	REN	**HC**	**Other**	**REN**	**HC**	**Other**
	Euro 000	**Euro 000**	**Euro 000**	**Euro 000**	**Euro 000**	**Euro 000**
Fixed assets	1,422,362	4,385,891	1,290,596	1,380,797	3,852,993	1,281,738
Current assets	221,993	376,429	161,511	222,323	421,456	81,375
Non current assets	696,422	53,749	10,465	342,901	619	61,661
Total Assets	2,340,777	4,816,069	1,462,572	1,946,021	4,275,068	1,424,774
Loans	280,000	1,969,187	722,184	326,667	2,041,585	642,535
Current liabilities	1,193,071	472,238	161,788	523,443	321,698	165,540
Non current liabilities	20,297	247,977	123,808	308,024	238,605	115,588
Total Liabilities	1,493,368	2,689,402	1,007,780	1,158,134	2,601,889	923,663
Minority interest		437,817			12,290	
Equity	847,409	1,688,850	454,792	787,887	1,660,889	501,111
Total Equity	847,409	2,126,667	454,792	787,887	1,673,179	501,111
Net Revenue	2,359,587	1,660,055	559,545	2,302,868	1,462,082	579,489
Operating Costs	(2,004,361)	(1,528,064)	(299,052)	(2,278,753)	(1,316,360)	(311,652)
Other operating income	(227,287)	25,210	(90,441)	92,423		(133,543)
Non operating costs, net	(34,451)	(103,847)	(127,789)	(51,113)	(133,291)	(92,740)
Minority interest		(13,038)			2,135	
Net income	93,488	40,316	42,263	65,425	14,565	41,553
Percentage owned by EDP:	30.00%	40.00%		30.00%	40.00%	

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December 31, 2003, 2002 and 2001

	2001		
	REN Euro 000	HC Euro 000	Other Euro 000
Fixed assets	1,352,585	1,922,000	37,593
Current assets	223,693	425,000	6,588
Non current assets	406,364	76,000	
Total Assets	1,982,642	2,423,000	44,181
Loans	350,000	847,000	7,554
Current liabilities	579,204	93,000	4,902
Non current liabilities	307,443	445,000	5,829
Total Liabilities	1,236,647	1,385,000	18,285
Minority interest			
Equity	745,995	1,038,000	25,896
Total Equity+Minority interest	745,995	1,038,000	25,896
Net revenue	2,209,104	1,180,000	17,172
Operating costs	(2,126,601)	(1,033,000)	(7,552)
Other operating income	15,682	7,000	(6,298)
Non operating costs, net	(53,685)	(81,000)	(1,759)
Minority interest		1,000	
Net income	44,500	74,000	1,563
Percentage owned by EDP:	30.00%	9.50%	

Proportional consolidation

As mentioned in note 2c, the Company consolidates interests in jointly controlled entities, using the proportional method, namely Hidrocantábrico (HC). For U.S. GAAP purposes, investments in jointly controlled entities must be accounted for using the equity method. The differences in accounting treatment between proportional consolidation and the equity method of accounting have no impact on reported stockholders equity or net income. Rather, they relate solely to matters of classification and display.

Condensed financial information relating to the Company s pro rata interest in Hidrocantábrico is as follows:

	HC 2003	HC 2002
Balance sheet information	**Euro '000**	**Euro '000**
Tangible and intangible fixed assets	1,870,271	1,657,112
Current assets	150,572	168,582
Non current assets	21,500	248
Total assets	2,042,343	1,825,942
Loans	787,675	816,634
Current liabilities	188,895	128,679
Non-current liabilities	99,191	95,442
Total liabilities	1,075,761	1,040,755
Minority interests	175,127	4,916
EDP's investment	791,455	780,271
Statement of income information		
Net revenue	664,022	321,351
Operating costs, net	-601,142	-295,194
Other operating income (costs)	-41,539	-29,257
Minority interests	-5,215	391
Net income	16,126	-2,709

Employee stock option plans

The Company has two fixed option plans. Under the 1999 option plan for members of the Board of Directors of EDP, the Company may grant options for up to 2,450,000 shares of common stock. Under the 1999 option plan for members of the boards of directors of the EDP s operating companies and senior officers of EDP and its subsidiaries, the Company may grant options for up 16,120,000 shares of common stock. Under both plans, the exercise price of each option equals the market price of the Company s stock on the date of grant and an option s maximum term is 5 years. Options are granted at the discretion of the board of directors of EDP and vest over a two year service period.

A summary of the status of the Company s two fixed stock option plans as of December 31, 2002 and 2003, and changes during the years then ended on those dates is presented below:

	Shares available for grant under 1999 option plans	Option activity	Weighted average exercise price
Balance December 31, 2001	16,413,750	2,286,250	
Options forfeited			

Options granted			
Balance December 31, 2002	16,413,750	2,286,250	
Options forfeited		(353,992)	
Options granted[1]		490,000	
Balance December 31, 2003	16,413,750	2,422,258	

At the general shareholders meeting held on May 10, 2000, an increase in the number of options available under the 1999 options plans was approved to adjust the plans for an increase in the number of directors from 5 to 7.

Of 2,400,000 options granted in 1999, only 2,286,250 were accepted by directors and executive officers.

(1) *The number of options to be granted for 2004 has not yet been determined.*

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The following table summarizes information about stock options outstanding and exercisable as of December 31, 2003.

Options outstanding	Weighted average exercise price	Weighted average remaining contractual life	Options exercisable
2,422,258	3.35	1.3 years	

40. Relevant and subsequent events

EDP and Hidrocantábrico constitute a European Economic Interest Group

On January 12, 2004, EDP Electricidade de Portugal, through CPPE Companhia Portuguesa de Produção de Electricidade, and Hidrocantábrico agreed to set up a European Economic Interest Group (EEIG) with a view to developing and putting into practice a process of contracting and adjudicating equipment to reduce emissions of sulphur dioxide into the atmosphere at their Sines, Aboño and Soto de Ribera power stations. Both companies will participate in the EEIG on equal footing.

Both parties will look into the possibility of extending the present agreement to the management and execution of contracts to be awarded on the basis of this process. The EEIG, which will be headquartered in Oviedo, is a type of company association created under an EEC regulation dated 1985 and is governed in Spain by a law dating from 1991. This type of association, with its own legal personality, is designed to simplify inter-company cooperation within the European Union. The option taken involving a single adjudication process means that the process must be governed by one of the applicable national laws; in this case the decision was taken to opt for Spanish law.

The joint installed power covered by the contracting and adjudication process totals around 2,166 MW and in an average year the three power stations in question burn about 7.5 million tons of coal. In accordance with the European Directive, the new equipment is expected to be operational during the last quarter of 2007, leading to sulphur dioxide emissions by the respective groups of these three power stations in accordance with the figures established by the directive (400 mg/Nm3).

EDP concludes Framework Agreement with a view to Acquisition of Control of the Natural Gas Industry in Portugal

On February 6, 2004, within the context of Council of Ministers Resolution 68/2003 of May 10, in respect of the restructuring of the Portuguese energy sector, EDP concluded a framework agreement with Eni, S.p.A. (Eni), establishing the heads of agreement reached by the parties with regard to bringing together the gas and electricity industries, and also with regard to the final structure of the share capital of GDP, SGPS, S.A. (GDP), 51% of which is expected to be held by EDP and 49% by Eni. However, during the transition period, REN Rede Eléctrica Nacional may come to have a minority holding in GDP up to the conclusion of the process of separation of regulated assets such as the high-pressure natural gas network. The direct involvement of these companies in the natural gas business will be undertaken on the basis of a reference figure of Eur 1,2 billion attributed to the whole of the gas assets (including such regulated assets as come to be transferred to REN) currently held by the GALP Energia group. Implementation of this transaction is based on the assumption that the direct involvement of EDP in the natural gas business will be underpinned by the economic value resulting from its sale of its holding in GALP Energia, in which EDP has a 14.7% stake, and for this reason it is not expected that the transaction will require any additional investment by EDP. EDP and Eni will make a start as from this time to talks concerning the contracts to structure the operation and to define the corporate governance of GDP, to be concluded by March 31, 2004. The conclusion of the transaction will in any case depend on approval by the respective fair trade authorities.

EDP Clarifies the Market on the Process of Definition of the Compensation Value of the CAEs

On March 5, 2004, EDP informed the market and the public in general that the process of definition of the value of compensation (CMEC Contractual Balance Maintenance Costs) linked to the possible transition of the energy acquisition contracts (CAEs) to the market system within the scope of MIBEL was still underway and had not therefore been concluded.

On March 8, 2004, in response to several requests for clarification in view of the news published in respect of the early termination of the Energy Acquisition Contracts (CAEs), EDP once again stated:

1. That not being party to the work of the European Commission and the Portuguese Government in progress in Brussels, EDP was entirely unaware of any progress or of the content thereof;

2. That investors and the market in general should not base investment decisions on the figures that had been published, which EDP considered totally unfounded and whose calculation criteria it was unable to reconstitute; and

3. That, as it had disclosed on several occasions, EDP would only formalise the early termination of the CAEs, provided that an economically neutral and equivalent alternative were ensured, certified by independent entities, and that it believed that this could occur by April 20, 2005.

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